

---

## IMPORTANT

---

*If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.*



# CW GROUP HOLDINGS LIMITED

## 創興集團控股有限公司

*(Incorporated in the Cayman Islands with limited liability)*

### GLOBAL OFFERING

|   |  |
|---|--|
| <b>Number of Offer Shares under the Global Offering</b> | : 162,500,000 Shares, comprising 150,000,000 new Shares to be offered by the Company and 12,500,000 Sale Shares to be offered by the Selling Shareholders (subject to the Over-allotment Option)                   |
| <b>Number of International Offer Shares</b>             | : 146,200,000 Shares, comprising 133,700,000 new Shares to be offered by the Company and 12,500,000 Sale Shares to be offered by the Selling Shareholders (subject to re-allocation and the Over-allotment Option) |
| <b>Number of Hong Kong Offer Shares</b>                 | : 16,300,000 Shares (subject to re-allocation)   |
| <b>Maximum Offer Price</b>                              | : HK\$1.73 per Offer Share payable in full on application in Hong Kong dollars, subject to refund, plus brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%                   |
| <b>Nominal value</b>                                    | : HK\$0.01 per Share   |
| <b>Stock code</b>                                       | : 1322   |

### Sole Sponsor



**Guotai Junan Capital Limited**

### Sole Global Coordinator, Sole Bookrunner and Sole Lead Manager



**Guotai Junan Securities (Hong Kong) Limited**

---

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the paragraph headed "Documents delivered to the Registrar of Companies" in Appendix VII to this prospectus, has been registered with the Registrar of Companies in Hong Kong as required by section 342C of the Companies Ordinance (Chapter 32 of the laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any of the other documents referred to above.

The Offer Price is expected to be determined by agreement between us (for ourselves and on behalf of all the Selling Shareholders) and the Sole Global Coordinator (acting for itself and on behalf of the Underwriters) on or before Friday, 23 March 2012 or such later date as may be agreed by us and the Sole Global Coordinator, but in any event not later than Monday, 26 March 2012. The Offer Price will be not more than HK\$1.73 per Offer Share and is currently expected to be not less than HK\$1.33 per Offer Share, unless otherwise announced. Investors applying for the Hong Kong Offer Shares must pay, on application, the maximum Offer Price of HK\$1.73 per Offer Share, together with brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is lower than HK\$1.73. The Sole Global Coordinator (acting for itself and on behalf of the Underwriters) may, with our consent, reduce the indicative Offer Price range stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such case, a notice of the reduction of the indicative Offer Price range will be published in The Standard (in English) and Hong Kong Economic Journal (in Chinese), not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. If applications for Hong Kong Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Hong Kong Public Offering, even if the Offer Price is so reduced, such applications cannot subsequently be withdrawn.

If, for any reason, the Offer Price is not agreed between us (for ourselves and on behalf of all the Selling Shareholders) and the Sole Global Coordinator (acting for itself and on behalf of the Underwriters) on or before Monday, 26 March 2012, the Global Offering will not proceed and will lapse.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in the section headed "Risk factors" in this prospectus.

Pursuant to certain provisions contained in the Underwriting Agreements in respect of the Global Offering, the Sole Global Coordinator (acting for itself and on behalf of the Underwriters) has the right in certain circumstances, in its sole and absolute discretion, to terminate the obligations of the Underwriters pursuant to the Underwriting Agreements at any time prior to 8:00 a.m. (Hong Kong time) on the day on which dealings in the Shares first commence on The Stock Exchange of Hong Kong Limited (which is currently expected to be Thursday, 29 March 2012). Further details of the terms of such provisions are set out in the section headed "Underwriting" in this prospectus. It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States, except that the Offer Shares may be offered, sold or delivered to qualified institutional buyers in reliance on an exemption from registration under the Securities Act provided by, and in accordance with the restrictions of, Rule 144A or another exemption from the registration requirements of the Securities Act. The Offer Shares may be offered, sold or delivered outside the United States in offshore transactions in accordance with Regulation S under the Securities Act.

---

## EXPECTED TIMETABLE

---

*If there is any change in the following expected timetable of the Global Offering, we will issue an announcement to be published on the respective websites of the Company at [www.cwgroup-int.com](http://www.cwgroup-int.com) and the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).*

Latest time to complete electronic applications under the **HK eIPO White Form** service through the designated website at [www.hkeipo.hk](http://www.hkeipo.hk) (*Note 2*) . . . . . 11:30 a.m. on Friday, 23 March 2012

Application lists open (*Note 3*) . . . . . 11:45 a.m. on Friday, 23 March 2012

Latest time for lodging **WHITE** and **YELLOW** Application Forms and giving **electronic application instructions** to HKSCC . . . . . 12:00 noon on Friday, 23 March 2012

Latest time to complete payment of **HK eIPO White Form** applications by effecting internet banking transfer(s) or PPS payment transfer(s) . . . . . 12:00 noon on Friday, 23 March 2012

Application lists close (*Note 3*) . . . . . 12:00 noon on Friday, 23 March 2012

Expected Price Determination Date (*Note 4*) . . . . . Friday, 23 March 2012

Announcement of the final Offer Price, the indication of the level of interests in the Global Offering, the results of the Hong Kong Public Offering and the basis of allotment of the Hong Kong Offer Shares to be published in The Standard (in English) and Hong Kong Economic Journal (in Chinese), on the Company's website ([www.cwgroup-int.com](http://www.cwgroup-int.com)) and the Stock Exchange's website ([www.hkexnews.hk](http://www.hkexnews.hk)) on or before . . . . . Wednesday, 28 March 2012

Results of allocations in the Hong Kong Public Offering, including the Hong Kong Identity Card/passport/Hong Kong Business Registration Certificate numbers (where applicable) of successful applicants will be made available through a variety of channels as described in the paragraph headed "Publication of Results" in the section headed "How to apply for the Hong Kong Offer Shares" in this prospectus, including the Company's website ([www.cwgroup-int.com](http://www.cwgroup-int.com)) and the Stock Exchange's website ([www.hkexnews.hk](http://www.hkexnews.hk)) from . . . . . Wednesday, 28 March 2012

---

## EXPECTED TIMETABLE

---

Results of allocations in the Hong Kong Public Offering  
will be available at [www.tricor.com.hk/ipo/result](http://www.tricor.com.hk/ipo/result) with  
a “search by ID” function from. . . . . Wednesday, 28 March 2012

Despatch of refund cheques in respect of wholly successful  
or (where applicable) wholly or partially unsuccessful  
applications under the Hong Kong Public Offering  
on or before (*Note 5*) . . . . . Wednesday, 28 March 2012

Despatch/collection of share certificates on or before  
(*Notes 5 and 6*) . . . . . Wednesday, 28 March 2012

Dealings in the Shares on the Main Board expected  
to commence at . . . . . Thursday, 29 March 2012

*Notes:*

1. All times refer to Hong Kong local time. Details of the structure of the Global Offering, including its conditions, are set out in the section headed “Structure of the Global Offering” in this prospectus. If there is a change to the above expected timetable, we will issue an announcement in Hong Kong to be published in The Standard (in English) and in Hong Kong Economic Journal (in Chinese).
2. You will not be permitted to submit your application to the HK eIPO White Form Service Provider through the designated website, [www.hkeipo.hk](http://www.hkeipo.hk), after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
3. If a “black” rainstorm warning signal or a tropical cyclone warning signal number 8 or above is in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 23 March 2012, the application lists will not open or close on that day. Please refer to the paragraph headed “Effect of bad weather on the opening of the application lists” in the section headed “How to apply for the Hong Kong Offer Shares” in this prospectus.
4. The Price Determination Date is expected to be on or about Friday, 23 March 2012, and in any event, not later than Monday, 26 March 2012. If, for any reason, the Offer Price is not agreed on or before Monday, 26 March 2012, the Global Offering will not proceed and will lapse.
5. Applicants who apply with **WHITE** Application Forms for 1,000,000 Hong Kong Offer Shares or more under the Hong Kong Public Offering and have indicated in their Application Forms that they wish to collect their refund cheques and/or share certificates in person from our Company’s Hong Kong branch share registrar may collect refund cheques (where applicable) and/or share certificates in person from the Company’s Hong Kong branch share registrar, Tricor Investor Services Limited, 26/F., Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Wednesday, 28 March 2012. Identification and authorisation documents (where applicable) acceptable to Tricor Investor Services Limited must be produced at the time of collection.

Applicants who apply with **YELLOW** Application Forms for 1,000,000 Hong Kong Offer Shares or more under the Hong Kong Public Offering and have indicated in their Application Forms that they wish to collect their refund cheques in person may collect their refund cheques (if any) but may not elect to collect their share certificates, which will be deposited into CCASS for credit to their designated CCASS Participants’ stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedures for collection of refund cheques for **YELLOW** Application Form applicants is the same as that for **WHITE** Application Form applicants.

---

## EXPECTED TIMETABLE

---

Refund cheques will be issued in respect of wholly and partially unsuccessful applications, and also in respect of successful applications in the event that the Offer Price as finally determined is less than the maximum Offer Price per Offer Share initially paid on application.

Uncollected share certificates and refund cheques (if any) will be despatched by ordinary post and at the own risk of the applicants shortly after the expiry of the time for collection at the date of despatch of refund cheque as described in the paragraph headed “Despatch/Collection of share certificates and refund of application money” under the section headed “How to apply for the Hong Kong Offer Shares” in this prospectus.

Applicants who apply through the HK eIPO White Form service and paid their application monies through single bank accounts may have refund monies (if any) despatched to their application payment bank accounts, in the form of e-Auto Refund payment instructions. Applicants who apply through the HK eIPO White Form service and paid their application monies through multiple bank accounts may have refund monies (if any) despatched to the address as specified in their application instructions to the HK eIPO White Form Service Provider, in the form of refund cheques, by ordinary post at their own risk.

6. Share certificates for the Offer Shares will only become valid certificates of title provided that the Global Offering becomes unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with their respective terms before 8:00 a.m. on the Listing Date, which is expected to be on Thursday, 29 March 2012.

**Pursuant to certain provisions contained in the Underwriting Agreements in respect of the Global Offering, the Sole Global Coordinator (acting for itself and on behalf of the Underwriters) has the right in certain circumstances, in its sole and absolute discretion, to terminate the obligations of the Underwriters pursuant to the Underwriting Agreements at any time prior to 8:00 a.m. (Hong Kong time) on the day on which dealings in the Shares first commence on The Stock Exchange of Hong Kong Limited (which is currently expected to be Thursday, 29 March 2012). Further details of such provisions are set out in the section headed “Underwriting” in this prospectus.**

---

## CONTENTS

---

*You should rely only on the information contained in this prospectus and the related Application Forms to make your investment decision.*

*We have not authorized anyone to provide you with information that is different from what is contained in this prospectus and the related Application Forms.*

*Any information or representation not contained nor made in this prospectus and the related Application Forms must not be relied on by you as having been authorized by us, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, the Underwriters, any of their respective directors, officers, employees, agents, representatives or advisers, or any other person or party involved in the Global Offering.*

|  | <i>Page</i> |
|--|-------------|
| <b>Expected Timetable</b> .....  | i           |
| <b>Contents</b> .....  | iv          |
| <b>Summary</b> .....   | 1           |
| <b>Definitions</b> .....   | 15          |
| <b>Glossary of Technical Terms</b> .....   | 26          |
| <b>Risk Factors</b> .....  | 29          |
| <b>Waivers and Exemption from Strict Compliance with the Listing Rules and the Companies Ordinance</b> ..... | 46          |
| <b>Information about this Prospectus and the Global Offering</b> .....                                       | 49          |
| <b>Directors and Parties Involved in the Global Offering</b> .....   | 56          |
| <b>Corporate Information</b> .....   | 59          |
| <b>Industry Overview</b> .....   | 61          |
| <b>Regulatory Overview</b> .....   | 83          |
| <b>Company History and Reorganization</b> .....  | 100         |
| <b>Business</b> .....  | 118         |
| <b>Relationship with our Controlling Shareholders</b> .....  | 163         |

---

## CONTENTS

---

|  |       |
|--|-------|
| <b>Connected Transactions</b> .....  | 167   |
| <b>Directors and Senior Management</b> .....   | 169   |
| <b>Substantial Shareholders</b> .....  | 177   |
| <b>Share Capital</b> .....   | 179   |
| <b>Financial Information</b> .....   | 181   |
| <b>Future Plans and Use of Proceeds</b> .....  | 239   |
| <b>Underwriting</b> .....  | 244   |
| <b>Structure of the Global Offering</b> .....  | 252   |
| <b>How to Apply for the Hong Kong Offer Shares</b> .....   | 261   |
| <b>Appendix I – Accountants’ Report of the Company</b> .....   | I-1   |
| <b>Appendix II – Unaudited Pro Forma Financial Information</b> .....   | II-1  |
| <b>Appendix III – Unaudited Preliminary Financial Information of the Company<br/>for the Year Ended 31 December 2011</b> ..... | III-1 |
| <b>Appendix IV – Property Valuation</b> .....  | IV-1  |
| <b>Appendix V – Summary of the Constitution of the Company and<br/>Cayman Islands Company Law</b> .....                        | V-1   |
| <b>Appendix VI – Statutory and General Information</b> .....   | VI-1  |
| <b>Appendix VII – Documents Delivered to the Registrar of Companies<br/>and Available for Inspection</b> .....                 | VII-1 |

---

## SUMMARY

---

*This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you and should be read in conjunction with the full text of this prospectus. You should read the entire prospectus before you decide to invest in the Offer Shares.*

*There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are summarized in the section headed “Risk factors” in this prospectus. You should read that section carefully before making any decision to invest in the Offer Shares.*

### OVERVIEW

Our Group is a precision engineering solutions provider and machine tool manufacturer and distributor serving customers from a wide range of industries, including the precision machine tool engineering, construction materials, electronics/semi-conductor, automotive, oil, gas and marine, and aerospace industries. Headquartered in Singapore with production facilities in the PRC, our business covers geographical markets worldwide including the PRC, Europe and the Asia-Pacific region.

In addition, our Group is also engaged in the business of manufacturing cement production equipment and components under our own brand “菲斯特” as well as in the distribution of rotor weighfeeders of international brands and other cement production equipment in the PRC.

### Our Business Segments

Our business is operated under the following five segments:

#### *Precision engineering solutions projects*

We offer our customers comprehensive precision engineering solutions on a project basis tailored to meet their specific requirements by producing customized assembly production lines. These turn-key services provide our customers with a one-stop shop for all their precision engineering requirements and needs. This ranges from the conducting of feasibility studies, concept and design, sourcing of assemblies, components and parts, to the manufacturing, installation and testing of our products and the provision of after-sales technical support.

Our Group has the capability of handling a wide range of engineering projects from simple production modules to full-set assembly production lines and large-scale production plants.

Depending on the requirements of our customers and through our Group’s extensive network of international suppliers, we are able to offer our customers a unique variety of different components at varying prices based on their production needs. To enhance cost efficiency, we also manufacture our own precision engineering components and parts depending on the type of specialized skills required.

---

## SUMMARY

---

Our sales and marketing team is responsible for sourcing projects from customers of different industries. After understanding the requirements and needs of each customer, a feasibility study will be conducted and we will then propose the designs as well as the machinery and equipment required to our customers for approval. Our procurement team will be responsible for sourcing the appropriate raw materials to meet the specific requirements of our customers according to the agreed proposals. Our team of engineers and technical staff will conduct testing of the components and equipment following assembly. The average time for completion depends on the scale of each project and is generally between 3-9 months. Our sales and marketing team determines the pricing of our services on a cost-plus basis and the payment arrangements on a case-by-case basis. Our finance department will invoice the customers in accordance with the terms of the sales contracts. We bill our customers with reference to the milestones of the projects we undertake and we usually require prepayments and deposits from customers.

Customers in our precision engineering solutions segment sometimes retain 5% to 10% of the total contract sum on case-by-case basis, and such retention money will be released to us after our completion of the whole project.

### *Sale of cement production equipment*

Under the brand of “菲斯特”, our Group manufactures, assembles and supplies cement production equipment and components to our customers in the construction materials industry, particularly those involved in the production of cement in the PRC. We also distribute rotor weighfeeders of an international brands and other cement production equipment such as clinker coolers and flow control gates.

Regarding the sale of “菲斯特” products, our sales and marketing team is responsible for procuring customers which are mainly engaged in the operation of cement production plants. We provide our customers with customized products and once their requirements and specifications on the products are confirmed, our procurement team will purchase the relevant raw materials from our list of approved suppliers. Our engineers and technical staff will also perform a full range of testing on behalf of our customers before the final products are delivered. The average production lead time for these products is generally between 1-3 months. Our products are priced on a cost-plus basis and we typically require a prepayment of 10-30% on the contract price followed by final payment of the outstanding balance before delivery and/or shipment. Our finance department will invoice our customers in accordance with the terms of the relevant sales contracts.

### *Sale of CNC machining centres*

Our Group complements our precision engineering solutions business by designing and manufacturing customized CNC vertical machining centres under the brand names of “KIWA-CW” and “KIWA” pursuant to an exclusive licence in the PRC granted to us by a Japanese company, KIWA. Our Group has also collaborated with DMPG, a German company, regarding the manufacture of CNC horizontal machining centres pursuant to a Memorandum of Understanding dated 27 January 2011.



---

## SUMMARY

---

Our business of sale of CNC machining centres involves the manufacture of our CNC machining centres under the brand names of “KIWA-CW” and “KIWA” and the trading of CNC machining centres of various third party international brands. Our sales and marketing team is responsible for procuring customers in various industries and we usually produce customized products to customers with specific requirements as well as certain standard models with common requirements. In the PRC, our sales and marketing team will, on certain occasions, be assisted by a team of external authorized sales and marketing agents who work either on a commission basis for sales generated or purchase our products directly for onward sale. Once the specifications on the products are confirmed with our customers, our procurement team will purchase the relevant raw materials from a list of approved suppliers. Our engineers and technical staff will also perform a full range of testing on behalf of our customers before the final products are delivered to our customers. Depending on the complexity of the requirements of the customers, the production lead time is generally around 3-4 weeks. Our products are priced on a cost-plus basis for customized products while the standard models are priced based on the prevailing market rates. We typically require a prepayment of 10-30% on the contract price followed by final payment of the outstanding balance before delivery and/or shipment. Our finance department will invoice our customers in accordance with the terms of the relevant sales contracts.

We have conducted a sensitivity analysis on the effect of the purchase prices of casting parts and the CNC controller of our self-manufactured products on our total costs of sales for the year ended 31 December 2010 in the hypothetical event that such purchase prices appreciate or depreciate by 20%. We estimate that should the prices of casting parts and CNC controller appreciate by 20%, our total costs of sales relating to our self-manufactured products would increase by an aggregate of approximately 8.3%. Should the prices of casting parts and CNC controller depreciate by 20%, we estimate that our total costs of sales relating to our self-manufactured products would decrease by an aggregate of approximately 8.3%.

### *Sale of components and parts*

To enable our Group to be a one-stop solution provider for our customers, we supplement our core businesses by distributing and trading a comprehensive range of accessory products together with components and parts. These components and parts are either manufactured by our Group or sourced from our international network of suppliers.

Our sales and marketing team is responsible for procuring customers in various industries which require components and parts for specific use. Once the specifications are confirmed with our customers, our engineers or production team will purchase the relevant raw materials from our list of approved suppliers. Depending on the nature of components, the profits and the complexity of our production, the production lead time is generally between 1 week to 3 months. We priced our customers at a cost plus mark-up basis. Our finance department will invoice the customers in accordance to the terms of the relevant sales contracts.

---

## SUMMARY

---

### *Provision of comprehensive maintenance and after-sales technical support services*

As part of our strategy to maintain constant contact with our customers, our Group offers our customers comprehensive after-sales technical support services.

We charge our customers a standard fee on an annual basis.

Set out below is a breakdown of our revenue by business segments during the Track Record Period:

|  | 2008                  |                     | Year ended 31 December |                     |                       |                     | Nine months ended 30 September |                     |                       |                     |
|--|-----------------------|---------------------|------------------------|---------------------|-----------------------|---------------------|--------------------------------|---------------------|-----------------------|---------------------|
|  | HK\$'000              | %                   | 2009                   |                     | 2010                  |                     | 2010                           |                     | 2011                  |                     |
|  | HK\$'000              | %                   | HK\$'000               | %                   | HK\$'000              | %                   | HK\$'000                       | %                   | HK\$'000              | %                   |
| Precision engineering solutions projects | 71,777                | 24.6                | 87,058                 | 30.0                | 196,493               | 41.9                | 76,068                         | 29.1                | 243,448               | 44.6                |
| Sales of cement production equipment     | 126,316               | 43.3                | 147,603                | 51.0                | 178,316               | 38.0                | 125,917                        | 48.2                | 92,447                | 17.0                |
| Sales of CNC machining centres           | 28,478                | 9.8                 | 14,133                 | 4.9                 | 48,134                | 10.2                | 30,743                         | 11.8                | 54,425                | 10.0                |
| Sales of components and parts            | 44,165                | 15.1                | 15,101                 | 5.2                 | 23,430                | 5.0                 | 19,645                         | 7.5                 | 136,227               | 25.0                |
| After-sales technical support services   | 20,907                | 7.2                 | 25,816                 | 8.9                 | 23,077                | 4.9                 | 8,977                          | 3.4                 | 18,740                | 3.4                 |
| <b>Total</b>                             | <b><u>291,643</u></b> | <b><u>100.0</u></b> | <b><u>289,711</u></b>  | <b><u>100.0</u></b> | <b><u>469,450</u></b> | <b><u>100.0</u></b> | <b><u>261,350</u></b>          | <b><u>100.0</u></b> | <b><u>545,287</u></b> | <b><u>100.0</u></b> |

Our revenue increased from approximately HK\$289.7 million in 2009 to approximately HK\$545.3 million in the nine months ended 30 September 2011. Such increase was mainly due to the increase of revenue in our precision engineering solutions projects segment and our sales of components and parts segment. The increase in contribution of revenue from precision engineering solutions projects in 2010 and 2011 was mainly due to projects secured by us in new markets such as India and Indonesia. The increase in our sales of components and parts in the nine months ended 30 September 2011 was mainly attributable to the trading sales of photovoltaic modules which amounted to approximately HK\$116.1 million. During the nine months ended 30 September 2011, we secured an order of photovoltaic modules in June 2011 of approximately HK\$66.7 million and two orders in September 2011 amounting to approximately HK\$49.4 million for the construction of photovoltaic plants by these customers. These sales were order-driven, non-recurring and trading in nature. Although our Group has substantial revenue derived from trading of photovoltaic modules, our Directors do not consider that substantial efforts need to be put in the near future to expand this business and no IPO proceeds will be utilized for such purpose.

---

## SUMMARY

---

### *Gross profit and gross profit margin*

The following table shows the breakdown of our Group's gross profit and gross profit margin by business segments during the Track Record Period:

#### Gross profit by business segments

|  | 2008                 |                     | Year ended 31 December |                     |                       |                     | Nine months ended 30 September |                     |                       |                     |
|--|----------------------|---------------------|------------------------|---------------------|-----------------------|---------------------|--------------------------------|---------------------|-----------------------|---------------------|
|  | HK\$'000             | %                   | 2009                   |                     | 2010                  |                     | 2010                           |                     | 2011                  |                     |
|  |                      |                     | HK\$'000               | %                   | HK\$'000              | %                   | HK\$'000                       | %                   | HK\$'000              | %                   |
| Precision engineering solutions projects | 17,507               | 18.8                | 22,292                 | 21.3                | 41,184                | 28.4                | 10,091                         | 12.2                | 38,789                | 31.2                |
| Sales of cement production equipment     | 34,710               | 37.2                | 53,825                 | 51.4                | 72,436                | 49.9                | 54,542                         | 65.7                | 46,853                | 37.7                |
| Sales of CNC machining centres           | 5,584                | 6.0                 | 242                    | 0.2                 | 7,347                 | 5.0                 | 5,856                          | 7.1                 | 10,869                | 8.7                 |
| Sales of components and parts            | 15,201               | 16.3                | 3,387                  | 3.3                 | 2,487                 | 1.7                 | 3,553                          | 4.3                 | 11,254                | 9.1                 |
| After-sales technical support services   | 20,231               | 21.7                | 24,948                 | 23.8                | 21,790                | 15.0                | 8,918                          | 10.7                | 16,580                | 13.3                |
| <b>Total</b>                             | <b><u>93,233</u></b> | <b><u>100.0</u></b> | <b><u>104,694</u></b>  | <b><u>100.0</u></b> | <b><u>145,244</u></b> | <b><u>100.0</u></b> | <b><u>82,960</u></b>           | <b><u>100.0</u></b> | <b><u>124,345</u></b> | <b><u>100.0</u></b> |

Our gross profit was mainly contributed by our precision engineering solutions projects, sales of cement production equipment and our after-sales technical support services. With the increase of our revenue from the precision engineering solutions segment during the Track Record Period, its contribution to our gross profit increased from 18.8% as at 31 December 2008 up to 31.2% as at 30 September 2011.

Notwithstanding the overall increase in our revenue for the nine months ended 30 September 2011 when compared to that for the year ended 31 December 2010, there was a decrease in our total gross profit, primarily due to the lower gross profit margin in our precision engineering solutions and sales of components and parts segments.

Revenue from our precision engineering solutions increased by approximately HK\$46.9 million from approximately HK\$196.5 million for the year ended 31 December 2010 to approximately HK\$243.4 million for the nine months ended 30 September 2011. However, our gross profit generated from this segment decreased by approximately HK\$2.4 million, attributable mainly to the lower value-added requirements of the projects undertaken which commanded a lower gross profit margin.

---

## SUMMARY

---

Our revenue from sales of components and parts increased significantly by approximately HK\$112.8 million from approximately HK\$23.4 million for the year ended 31 December 2010 to approximately HK\$136.2 million for the nine months ended 30 September 2011 but our gross profit only increased by approximately HK\$8.8 million. This was mainly due to our sales of photovoltaic components and parts which commanded a lower gross profit margin as compared to our other business segments, as this is a trading sale which does not involve a significant amount of value-added services.

Accordingly, the higher revenue from precision engineering solutions and sales of components and parts with a lower gross profit margin contribution resulted in the decrease in the overall gross profit for our Group for the nine months ended 30 September 2011 when compared to those in the year ended 31 December 2010.

### Gross profit margin by business segments

|  | Year ended 31 December |             |             | Nine months ended<br>30 September |             |
|--|------------------------|-------------|-------------|-----------------------------------|-------------|
|  | 2008                   | 2009        | 2010        | 2010                              | 2011        |
|  | %                      | %           | %           | %                                 | %           |
|  |                        |             |             | (unaudited)                       |             |
| Precision engineering solutions projects | 24.4                   | 25.6        | 20.9        | 13.3                              | 15.9        |
| Sales of cement production equipment     | 27.5                   | 36.5        | 40.6        | 43.3                              | 50.7        |
| Sales of CNC machining centres           | 19.6                   | 1.7         | 15.3        | 19.0                              | 20.0        |
| Sales of components and parts            | 34.4                   | 22.4        | 10.6        | 18.1                              | 8.3         |
| After-sales technical support services   | 96.8                   | 96.6        | 96.3        | 99.3                              | 88.5        |
|  | <u>96.8</u>            | <u>96.6</u> | <u>96.3</u> | <u>99.3</u>                       | <u>88.5</u> |
| Overall gross profit margin              | <u>32.0</u>            | <u>36.1</u> | <u>30.9</u> | <u>31.7</u>                       | <u>22.8</u> |

The gross profit margin for our sales of CNC machining centres dropped drastically by 17.9%, from 19.6% for the year ended 31 December 2008, to only 1.7% for the year ended 31 December 2009. Such decreases were mainly due to our management's decision to undertake a competitive pricing strategy in view of the dampened demand from the precision engineering industry due to the financial crisis in 2009, so as to maintain our market share and the market presence of our "KIWA-CW" and "KIWA" branded products.

Notwithstanding the significant increase in our gross profits, our overall gross profit margin decreased from approximately 31.7% in the nine months ended 30 September 2010, to approximately 22.8% in the nine months ended 30 September 2011. The decrease in our overall gross profit margin was mainly due to the significant increase in our revenue from

---

## SUMMARY

---

the sales of photovoltaic components and parts for the nine months ended 30 September 2011 which commanded a lower gross profit margin as compared to our other business segments, as it involved a less added value from us. Sales of components and parts accounted for 25.0% of our total revenue for the nine months ended 30 September 2011, as compared to 7.5% for the nine months ended 30 September 2010.

The following table sets out the breakdown of our Group's revenue by geographical locations during the Track Record Period:

|                      | For the year ended 31 December |                     |                       |                     |                       |                     | Nine months ended 30 September |                     |                       |                     |
|----------------------|--------------------------------|---------------------|-----------------------|---------------------|-----------------------|---------------------|--------------------------------|---------------------|-----------------------|---------------------|
|                      | 2008                           |                     | 2009                  |                     | 2010                  |                     | 2010                           |                     | 2011                  |                     |
|                      | HK\$'000                       | %                   | HK\$'000              | %                   | HK\$'000              | %                   | HK\$'000                       | %                   | HK\$'000              | %                   |
| (unaudited)          |                                |                     |                       |                     |                       |                     |                                |                     |                       |                     |
| Asia Pacific region: |                                |                     |                       |                     |                       |                     |                                |                     |                       |                     |
| The PRC              | 168,677                        | 57.8                | 175,718               | 60.7                | 256,089               | 54.6                | 160,163                        | 61.3                | 164,130               | 30.1                |
| Singapore            | 90,312                         | 31.0                | 59,629                | 20.6                | 68,492                | 14.6                | 25,770                         | 9.9                 | 32,073                | 5.9                 |
| Indonesia            | -                              | -                   | -                     | -                   | 24,720                | 5.3                 | 8,652                          | 3.3                 | 48,446                | 8.9                 |
| Malaysia             | 5,852                          | 2.0                 | 3,465                 | 1.2                 | 25,686                | 5.5                 | 21,303                         | 8.2                 | 40,413                | 7.4                 |
| Thailand             | 9,416                          | 3.2                 | 16,306                | 5.6                 | 7,717                 | 1.6                 | 7,054                          | 2.7                 | 28,083                | 5.2                 |
| India                | -                              | -                   | -                     | -                   | 45,218                | 9.6                 | 24,675                         | 9.4                 | 64,451                | 11.8                |
| Others               | 15,348                         | 5.3                 | 31,155                | 10.8                | 24,610                | 5.2                 | 882                            | 0.3                 | 5,809                 | 1.1                 |
| Europe               | 87                             | 0.0                 | 1,180                 | 0.4                 | 12,878                | 2.7                 | 9,657                          | 3.7                 | 161,765               | 29.6                |
| Others               | 1,951                          | 0.7                 | 2,258                 | 0.7                 | 4,040                 | 0.9                 | 3,194                          | 1.2                 | 117                   | -                   |
| <b>Total</b>         | <b><u>291,643</u></b>          | <b><u>100.0</u></b> | <b><u>289,711</u></b> | <b><u>100.0</u></b> | <b><u>469,450</u></b> | <b><u>100.0</u></b> | <b><u>261,350</u></b>          | <b><u>100.0</u></b> | <b><u>545,287</u></b> | <b><u>100.0</u></b> |

### Products and equipment sold under agency arrangements

We have been appointed by a number of machinery manufacturers as their authorized agents (either on an exclusive or non-exclusive basis). Under these agency arrangements, we typically place orders with the machinery manufacturers upon receipt of our customers' orders and upon the selection of the most appropriate products, such as CNC machining centers, to suit our customers' needs. We typically deal and correspond with the customers and manufacturers to address all technical and engineering enquiries and provide maintenance services and technical support. This also includes the provision of components and parts for maintenance purposes. This enables us to have close on-site interactions with our customers. Moreover, by being appointed as an agent to these manufacturers, we are able to have direct access to the manufacturers when placing orders instead of having to deal with their authorized agents and/or sales representatives.

During the Track Record Period, no revenue from our agency arrangements was attributable to the sale of components and parts in the solar energy sector.

For further details of our agency arrangements, please refer to the paragraph headed "Products and equipment sold under agency arrangements" under the section headed "Business" in this prospectus.

---

## SUMMARY

---

### Seasonality

During the Track Record Period, we typically record higher sales in the second half of our financial year. This was primarily due to the annual budget cycle of our customers, the time of delivery of our products and services, as well as refurbishments undertaken during the year end shutdown.

Notwithstanding the higher revenue in the second half of the years in 2009 and 2010, the gross profit margin recorded in the second half of the years in 2009 and 2010 was generally lower than that recorded in the first half of the year. This was mainly due to the reason that we were generally engaged in precision engineering solutions projects in the second half of the year which generated more revenue but with relatively lower gross profit margin. For details, please refer to the sub-paragraph headed “Seasonality” under the paragraph headed “Products and equipment sold under agency arrangements” in the section headed “Business” in this prospectus.

### Credit policy

We grant our customers different credit periods according to business segments. The general range of credit periods granted, which is in line with the industry norm, is set out below:

|  |                      |
|--|----------------------|
| Precision engineering solutions projects | 60 days to 270 days  |
| Sales of cement production equipment     | 0 days to 120 days   |
| Sales of CNC machining centres           | 60 days to 180 days  |
| Sales of components and parts            | 30 days to 180 days* |
| After-sales technical support services   | 30 days to 360 days  |

\* Depending on the scale of individual construction projects of our customers, the credit terms granted for sales of photovoltaic components and parts ranged from 3 days to 3 weeks upon such projects reaching certain milestone.

For the three years ended 31 December 2008, 2009 and 2010 and the nine months ended 30 September 2011, the account receivable turnover days were 151, 178, 147 and 177 days respectively. For further details, please refer to the sub-paragraph headed “Credit policy” under the paragraph headed “Sales and marketing” in the section headed “Business” in this prospectus.

We monitor trade receivables collection and aging, including closely monitoring all outstanding debts and reviewing our debtors’ credit standing continuously to ensure that we are able to recover all debts which are outstanding and due. Customers with poor credit ratings would be monitored closely with follow ups made. If a customer does not settle its outstanding receivables, there are a number of internal measures and courses of action that we can take, including but not limited to, revising and suspending credit limits and revising terms and conditions of collection, failing which we will issue a formal written reminder, and following which we will cease all transactions with the customers and instruct lawyers to institute legal action where and if necessary. Our sales representatives and other sales staff will also help monitor the development of our customers’ projects and communicate with our customers regarding the settlement of trade receivables.

## SUMMARY OF FINANCIAL INFORMATION

### RESULTS OF OPERATION

The table below summarises the combined financial results of our Group for the Track Record Period, which is extracted from and has been prepared in accordance with, the basis as set out in the accountants’ report in Appendix I to this prospectus. This summary should be read in conjunction with the accountants’ report.

## SUMMARY

### Combined Statements of Comprehensive Income

|   | Year ended 31 December |                      |                              | 9 months ended<br>30 September |                              |
|---|------------------------|----------------------|------------------------------|--------------------------------|------------------------------|
|   | 2008                   | 2009                 | 2010                         | 2010                           | 2011                         |
|   | HK\$'000               | HK\$'000             | HK\$'000                     | HK\$'000                       | HK\$'000                     |
|   |                        |                      |                              | (Unaudited)                    |                              |
| Revenue   | 291,643                | 289,711              | 469,450                      | 261,350                        | 545,287                      |
| Cost of sales   | <u>(198,410)</u>       | <u>(185,017)</u>     | <u>(324,206)</u>             | <u>(178,390)</u>               | <u>(420,942)</u>             |
| Gross profit  | 93,233                 | 104,694              | 145,244                      | 82,960                         | 124,345                      |
| Other income and gains  | 3,502                  | 4,149                | 2,064                        | 2,010                          | 1,273                        |
| Selling and distribution expenses                               | (15,652)               | (18,365)             | (18,814)                     | (12,932)                       | (18,586)                     |
| Administrative expenses   | (23,559)               | (24,122)             | (27,401)                     | (18,128)                       | (27,973)                     |
| Finance costs   | (4,521)                | (4,053)              | (28,669) <sup>(Note 1)</sup> | (17,906)                       | (18,472)                     |
| Other operating expenses  | <u>(3,256)</u>         | <u>(1,674)</u>       | <u>(1,060)</u>               | <u>(3,365)</u>                 | <u>(3,349)</u>               |
| <b>Profit before tax</b>  | 49,747                 | 60,629               | 71,364                       | 32,639                         | 57,238                       |
| Income tax expense  | <u>(8,142)</u>         | <u>(14,179)</u>      | <u>(20,744)</u>              | <u>(13,369)</u>                | <u>(17,472)</u>              |
| <b>Profit for the year</b>                                      | <u>41,605</u>          | <u>46,450</u>        | <u>50,620</u>                | <u>19,270</u>                  | <u>39,766</u>                |
| <b>Other comprehensive income</b>                               |                        |                      |                              |                                |                              |
| Exchange differences on translation of foreign operations       | 8,983                  | 773                  | 2,673                        | (532)                          | 5,266                        |
| Fair value of derivative  | <u>—</u>               | <u>—</u>             | <u>(2,000)</u>               | <u>(2,000)</u>                 | <u>—</u>                     |
| Other comprehensive income for the year, net of tax             | <u>8,983</u>           | <u>773</u>           | <u>673</u>                   | <u>(2,532)</u>                 | <u>5,266</u>                 |
| <b>Total comprehensive income for the year</b>                  | <u><u>50,588</u></u>   | <u><u>47,223</u></u> | <u><u>51,293</u></u>         | <u><u>16,738</u></u>           | <u><u>45,032</u></u>         |
| <b>Profit for the year attributable to:</b>                     |                        |                      |                              |                                |                              |
| Owners of the Company   | 25,640                 | 24,939               | 26,852                       | 560                            | 39,766                       |
| Non-controlling interests                                       | <u>15,965</u>          | <u>21,511</u>        | <u>23,768</u>                | <u>18,710</u>                  | <u>—</u>                     |
|   | <u><u>41,605</u></u>   | <u><u>46,450</u></u> | <u><u>50,620</u></u>         | <u><u>19,270</u></u>           | <u><u>39,766</u></u>         |
| <b>Total comprehensive income for the year attributable to:</b> |                        |                      |                              |                                |                              |
| Owners of the Company   | 32,252                 | 25,733               | 27,525                       | (4,503)                        | 45,032                       |
| Non-controlling interests                                       | <u>18,336</u>          | <u>21,490</u>        | <u>23,768</u>                | <u>21,241</u>                  | <u>—</u> <sup>(Note 2)</sup> |
|   | <u><u>50,588</u></u>   | <u><u>47,223</u></u> | <u><u>51,293</u></u>         | <u><u>16,738</u></u>           | <u><u>45,032</u></u>         |

---

## SUMMARY

---

*Notes:*

1. Finance costs in the year ended 31 December 2010 included amortized interest on redeemable convertible loan and fair value change of embedded derivative liabilities of approximately HK\$18.4 million and HK\$19.2 million respectively. This was partly offset by the gain of approximately HK\$13.5 million on derecognition of redeemable convertible loan which had been recognized on change of terms of the redeemable convertible loan. For details, please refer to note 7 and note 27 to the Accountants' Report of the Company, the text of which is set out in Appendix I of this prospectus.
2. None of our Group's profits was attributable to non-controlling interest in 2011 as we have acquired the balance of 49% equity interest in Fuyang International and Tianjin FeiSiTe in 2010. Tianjin FeiSiTe then became our indirect wholly owned subsidiary. For details, please refer to the paragraph headed "Fuyang International and Tianjin FeiSiTe" in the section headed "Company History and Reorganization" in this prospectus.

### GLOBAL OFFERING STATISTICS

|   | <b>Based on an Offer<br/>Price of HK\$1.33<br/>per Share</b> | <b>Based on an Offer<br/>Price of HK\$1.73<br/>per Share</b> |
|---|--|--|
| Our market capitalization upon completion<br>of the Global Offering <sup>(1)(2)</sup> | HK\$819.83 million   | HK\$1,066.40 million   |
| Unaudited pro forma net tangible net<br>value per Share <sup>(3)</sup>                | HK\$0.67   | HK\$0.76   |

*Notes:*

- (1) No data in this table takes into account any Shares which may be issued upon the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme.
- (2) The calculation of market capitalization is based on 616,417,000 Shares expected to be in issue immediately upon completion of the Global Offering and the Capitalization Issue (assuming that the Over-allotment Option is not exercised).
- (3) The unaudited pro forma net tangible asset value per Share includes adjustments referred to in the section headed "Financial Information — Unaudited pro forma adjusted net tangible assets" in this prospectus and on the basis of 616,417,000 Shares in issue at the respective Offer Price of HK\$1.33 and HK\$1.73 per Share immediately following completion of the Global Offering and the Capitalization Issue.

### DIVIDEND POLICY

The payment and the amount of any dividends to be declared by our Group in the future will be determined at the sole discretion of the Directors and will depend on, among other things, the results of operations, financial condition, working capital requirements, future prospects, the amount of distributable profits based on the applicable laws and regulations.

Subject to the conditions set forth in the preceding paragraph, it is our Directors' current intention for the foreseeable future to recommend annually the distribution to our Shareholders of not less than 20% of our Company's future annual net profits attributable to our Shareholders as dividends after the Global Offering. However, investors should note that such intention does not amount to any guarantee or representation or indication that our Company must or will declare and pay dividends in such manner or declare and pay any dividends at all.



---

## SUMMARY

---

### USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK\$192.9 million (assuming the Over-allotment Option is not exercised and assuming an Offer Price of HK\$1.53 per Offer Share, being the mid-point of the indicative Offer Price range), after deducting the underwriting fees and estimated expenses payable by us in connection with the Global Offering.

We currently intend to apply these net proceeds for the following purposes:

| <b>Amount of proceeds (%)</b> | <b>Intended application of proceeds</b>   |
|-------------------------------|---|
| HK\$104.0 million (53.9%)     | expanding our production facilities and capacities in the PRC and for the implementation of enterprise resource planning “ERP” system |
| HK\$41.5 million (21.5%)      | achieving further growth through acquisitions, joint ventures and/or strategic alliances  |
| HK\$15.8 million (8.2%)       | expanding the range of CNC machines that we design and manufacture  |
| HK\$12.6 million (6.5%)       | increasing our sales and marketing efforts in industries with high growth potential   |
| HK\$19.0 million (9.9%)       | working capital and other general corporate purposes  |

For further details, please refer to the paragraph headed “Use of proceeds” under the section headed “Future Plans and Use of Proceeds” in this prospectus.

The additional net proceeds that we will receive if the Over-allotment Option is exercised in full will be approximately HK\$36.1 million (assuming the mid-point of the indicative Offer Price range of HK\$1.53 per Offer Share). Our Directors currently intend to apply such additional net proceeds in the manner and proportions stated above.

In the event that the Offer Price is set at the high-end or low-end of the indicative Offer Price range, the additional or reduced net proceeds will be applied in the manner and proportions stated above. For details, please refer to the section headed “Future Plans and Use of Proceeds” in this prospectus.

To the extent that the net proceeds are not immediately applied to the above purposes, and to the extent permitted by the applicable laws and regulations, we intend to deposit the net proceeds into short-term demand deposits and/or money market instruments. We will issue an announcement if there is any material change in our intended use of proceeds as described above.

---

## SUMMARY

---

### Latest development relating to our Group subsequent to 30 September 2011

We continue to keep an eye on the development and opportunities in different business segments in various geographical locations and in particular, we are expecting more revenue to be generated from the collaborations with DMPG.

After 30 September 2011, and up to 31 January 2012, we continued to deliver our products and services in accordance with the orders made by, and the contracts with, our customers. We currently have secured or are in the process of negotiating, a number of new projects for the precision engineering solutions and sale of components and parts segments, with contract sums totalling approximately HK\$124.9 million and HK\$44.8 million respectively. In addition, we have secured a contract under our sales of components and parts segment which generate monthly recurring sales with a total contract sum of approximately HK\$23.6 million. We also continue to serve our recurring customers under our components and parts segment, which includes our sales to DMPG, with committed orders of approximately HK\$6.5 million. Our sales of cement production equipment and sales of self-manufactured CNC machining centres segment are continuing to deliver committed orders of approximately HK\$13.8 million and HK\$14.4 million respectively. We do not experience a significant change of pricing policy for orders secured after 30 September 2011. Our Directors do not identify any significant cancellation of orders/contracts from our customers.

We confirm that, up to the Latest Practicable Date, there has been no material adverse change in the financial or trading position or prospects of us since 30 September 2011, and there has been no event since 30 September 2011 which would materially affect the financial information shown in the Accountants' Report of the Company set out in Appendix I of this prospectus. The Company has prepared the unaudited financial information for the year ended 31 December 2011. Set out below is the summary of key financial highlights (unaudited) of our Group for the year ended 31 December 2011:

#### Summary of operations

|  | For the year ended<br>31 December |             |
|--|-----------------------------------|-------------|
|  | 2010                              | 2011        |
|  | HK\$'000                          | HK\$'000    |
|  |                                   | (unaudited) |
| Revenue  | 469,450                           | 753,566     |
| Gross profit   | 145,244                           | 179,469     |
| Profit for the year                                  | 50,620                            | 68,015      |
| Profit attributable to equity holders of the Company | 26,852                            | 68,015      |

Profits of our Group for the two years ended 31 December 2010 and 2011 shown above have been stated after deduction of the relevant expense relating to the adjustments of fair value to the redeemable convertible loan of approximately HK\$24.1 million and HK\$20.1 million respectively that have been charged to our Group's combined statement of comprehensive income for the respective years.

---

## SUMMARY

---

### Summary of net assets

|                   | For the year ended |             |
|-------------------|--------------------|-------------|
|                   | 31 December        |             |
|                   | 2010               | 2011        |
|                   | HK\$'000           | HK\$'000    |
|                   |                    | (unaudited) |
| Total assets      | 575,415            | 843,475     |
| Total liabilities | 432,887            | 626,193     |
| Net assets        | 145,528            | 217,282     |

For details of the unaudited preliminary financial information of our Group for the year ended 31 December 2011 as well as our accompanying discussion and analysis, please refer to Appendix III of this prospectus.

### Listing expenses

In accordance with paragraph 37 of International Accounting Standard 32, issued by the International Accounting Standards Board, the transaction costs of an equity transaction are accounted for as deduction from equity to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided, and the costs of an equity transaction that is abandoned are recognized as expenses. Our Directors currently estimate that the total listing expenses relating to the Global Offering will amount to approximately HK\$36.7 million (assuming the Over-allotment Option is not exercised and assuming an Offer Price of HK\$1.53 per Offer Share, being the mid-point of the indicative Offer Price range), of which HK\$14.8 million (inclusive of the underwriting commission, the related Stock Exchange trading fee and the SFC transaction levy) is directly attributable to the issue of new Shares in the Global Offering and is to be accounted for as a deduction from equity. The remaining estimated expenses of HK\$21.9 million will be charged to the combined statement of comprehensive income of our Group for the year ending 31 December 2012. Such amount of expenses is a current estimate for reference only and the final amount is subject to adjustment based on audit and changes in variables and assumptions.

### RISK FACTORS

Our Directors consider that there are certain risks involved in our Group's businesses and the details of such risks are set out in the section headed "Risk factors" in this prospectus. The risks can be broadly categorized into : (i) risks relating to our business; (ii) risks relating to the industries in which we operate; (iii) risks relating to the PRC; (iv) risks relating to the Global Offering; and (v) risks relating to statements made in this prospectus.

Some of the material risks relating to our business which the Directors consider appropriate include, but are not limited to, : –

- In view of the fluctuations in our gross profit margin, the historical gross profit margin level is not indicative of our future gross profit margin level.

---

## SUMMARY

---

- We may lose our agency rights to the products which we supply. The scopes of our agency rights vary from different manufacturers and some of the agencies are of non-exclusive natures which allow the manufacturers to appoint our competitors as their agents as well. Moreover, some manufacturers may terminate our agencies at any time since some of the agency certificates have not set out the period of our appointments.
- We have collaborations with international machinery manufacturers, KIWA and DMPG, respectively. If any of such collaborations was for whatever reason terminated, we would lose our revenue from these collaborations, and in such an event, our profitability and results of our operations would be adversely affected.
- We are exposed to the credit risks of our customers and may face long turnover period in respect of trade receivables since we grant our customers different credit periods according to business segments which is in line with the industry norm and the general range of credit period can be from 60 to 270 days or even up to 360 days.
- Due to the nature of our business, we do not have continuous long term business relationships with our customers since the majority of orders received from our customers are on a project basis.

---

## DEFINITIONS

---

*In this prospectus, unless the context otherwise requires, the following expressions have the following meanings. Certain other terms are defined in the section headed “Glossary of technical terms” in this prospectus:*

|                              |   |
|------------------------------|---|
| “Application Form(s)”        | <b>WHITE, YELLOW and GREEN</b> application form(s) or, where the context so requires, any of them to be used in connection with the Hong Kong Public Offering   |
| “Articles”                   | the articles of association of our Company adopted on 14 March 2012 and as amended from time to time, a summary of which is set out in Appendix V to this prospectus  |
| “associate(s)”               | has the meaning ascribed to it under the Listing Rules  |
| “Board”                      | the board of Directors  |
| “business day”               | a day (excluding Saturday, Sunday and public holiday) on which licenced banks in Hong Kong are open for general banking transactions to the public  |
| “BVI”                        | the British Virgin Islands  |
| “Capitalization Issue”       | an issue of 461,752,830 Shares to be made upon the capitalization of certain sums standing to the credit of the share premium account of the Company as referred to in the paragraph headed “Written resolutions of our Shareholders passed on 14 March 2012” in the section headed “Further information about our Company” in Appendix VI to this prospectus |
| “CCASS”                      | the Central Clearing and Settlement System established and operated by HKSCC  |
| “CCASS Clearing Participant” | a person admitted to participate in CCASS as a direct clearing participant or general clearing participant  |
| “CCASS Investor Participant” | a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation   |
| “CCASS Participant”          | a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant   |
| “CEO”                        | the chief executive officer of our Company  |

---

## DEFINITIONS

---

|  |   |
|--|---|
| “Charter Field”                              | Charter Field Enterprises Limited, an investment holding company incorporated in the BVI with limited liability on 20 October 2004, which is owned as to 50% by Mr. Lim Chwee Kiong and 50% by Mr. Tan Poh Huat, both are Independent Third Parties |
| “Companies Law” or<br>“Cayman Companies Law” | the Companies Law (2011 Revision) of the Cayman Islands, as amended, supplemented and/or otherwise modified from time to time   |
| “Companies Ordinance”                        | the Companies Ordinance (Chapter 32 of the laws of Hong Kong), as amended, supplemented and/or otherwise modified from time to time   |
| “Company”                                    | CW Group Holdings Limited (創興集團控股有限公司), a company incorporated in the Cayman Islands with limited liability on 11 June 2010 under the Companies Law   |
| “Controlling Shareholder(s)”                 | has the meaning ascribed to it under the Listing Rules and in context of this prospectus, means WMS Holding, Mr. William Wong and Mr. Sam Wong  |
| “COO”  | the chief operating officer of our Company  |
| “Covenantors”                                | WMS Holding, Mr. William Wong and Mr. Sam Wong  |
| “CSRC”                                       | China Securities Regulatory Commission (中國證券監督管理委員會)  |
| “CW Advanced Technologies”                   | CW Advanced Technologies Pte. Ltd., a company incorporated in Singapore with limited liability on 27 February 2003 and is an indirect wholly-owned subsidiary of our Company  |
| “CW Tech”                                    | CW Tech Pte. Ltd., a company incorporated in Singapore with limited liability on 26 October 2004 and is an indirect wholly-owned subsidiary of our Company  |
| “CWG”  | CW Group Pte. Ltd., a company incorporated in Singapore with limited liability on 28 May 1996 and is an indirect wholly-owned subsidiary of our Company   |
| “CWI”  | CW International (S) Pte. Ltd., a company incorporated in Singapore with limited liability on 20 April 2004 and is an indirect wholly-owned subsidiary of our Company   |

---

## DEFINITIONS

---

|  |  |
|--|--|
| “CWI (Malaysia)”   | CW International (M) Sdn. Bhd., a company incorporated in Malaysia with limited liability on 25 July 2005 and is an indirect wholly-owned subsidiary of our Company  |
| “CWI (Shanghai)”   | 創興機械設備(上海)有限公司 (CW International (Shanghai) Co., Ltd.*), a wholly foreign-owned enterprise established in the PRC with limited liability on 18 May 2005 and is an indirect wholly-owned subsidiary of our Company  |
| “Director(s)”  | the director(s) of our Company   |
| “DMPG”   | Deckel Maho Pfronten GmbH, a company incorporated in German and a subsidiary of Gildemeister Aktiengesellschaft  |
| “EUR”  | Euro, the lawful currency of the European Union  |
| “FNW”  | FNW International Pte. Ltd., a company incorporated in Singapore with limited liability on 6 March 2007, and is an indirect wholly-owned subsidiary of our Company   |
| “FNW International”  | FNW International Limited, a company incorporated in the BVI with limited liability on 8 June 2010 which is an indirect wholly-owned subsidiary of our Company   |
| “Fuyang International”   | Fu Yang International Co. Ltd., a company incorporated in the BVI with limited liability on 20 April 2001 and was an indirect wholly-owned subsidiary of our Company until it was disposed of by us on 9 March 2012  |
| “Global Offering”  | the Hong Kong Public Offering and the International Offering   |
| “ <b>Green</b> Application Form(s)”                                    | the application form(s) to be completed by the <b>HK eIPO White Form</b> Service Provider  |
| “Group”  | the Company, its subsidiaries and jointly-controlled entities or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, such subsidiaries as if they were the Company’s subsidiaries at that time |
| “Guotai Junan Capital” or<br>“Sole Sponsor” or<br>“Compliance Adviser” | Guotai Junan Capital Limited, a licenced corporation under the SFO to engage in type 6 (advising on corporate finance) regulated activity under the SFO  |

---

## DEFINITIONS

---

|   |  |
|---|--|
| “Guotai Junan Securities” or<br>“Sole Global Coordinator” or<br>“Sole Bookrunner” or<br>“Sole Lead Manager” | Guotai Junan Securities (Hong Kong) Limited, a licenced corporation under the SFO to engage in type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO   |
| “Harrisonburg”  | Harrisonburg Investments Limited, a company incorporated in the BVI with limited liability on 28 August 2006, which is owned as to approximately 33.3% by Mr. Chan Swee Choon, 33.3% by Mr. Foo Chee Juan and 33.3% by Ms. Fong Chui Wan, all are Independent Third Parties  |
| “HK eIPO White Form”  | the application for Hong Kong Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website at <b>www.hkeipo.hk</b>   |
| “HK eIPO White Form<br>Service Provider”  | the HK eIPO White Form service provider designated by our Company, as specified on the designated website at <b>www.hkeipo.hk</b>  |
| “HKSCC”   | Hong Kong Securities Clearing Company Limited  |
| “HKSCC Nominees”  | HKSCC Nominees Limited   |
| “HK\$” or “HK Dollar(s)”<br>and “cent(s)”   | Hong Kong dollar(s) and cent(s) respectively, the lawful currency of Hong Kong   |
| “Hong Kong”   | the Hong Kong Special Administrative Region of the People’s Republic of China  |
| “Hong Kong Public Offering”   | the offer to the public in Hong Kong for subscription for the Hong Kong Offer Shares at the Offer Price, on and subject to the terms and conditions stated in this prospectus and in the Application Forms, details of which are described in the section headed “Structure of the Global Offering” in this prospectus and the related Application Forms |
| “Hong Kong Offer Shares”  | the 16,300,000 new Shares initially being offered by the Company for subscription at the Offer Price under the Hong Kong Public Offering, subject to re-allocation as mentioned in the section headed “Structure of the Global Offering” in this prospectus  |
| “Hong Kong Underwriters”  | the underwriters in respect of the Hong Kong Public Offering named in the paragraph headed “Hong Kong Underwriters” in the section headed “Underwriting” in this prospectus  |



---

## DEFINITIONS

---

|   |   |
|---|---|
| “Hong Kong Underwriting Agreement”                          | the underwriting agreement to be dated 19 March 2012 relating to the Hong Kong Public Offering and entered into among the Company, the executive Directors, the Covenantors, the Sole Sponsor, the Sole Global Coordinator and the Hong Kong Underwriters, particulars of which are set out in the section headed “Underwriting” in this prospectus   |
| “Honor Well”  | Honor Well Group Holdings Limited (信用控股有限公司), a company incorporated in Hong Kong with limited liability on 18 January 2011 and is an indirect wholly-owned subsidiary of our Company   |
| “IFRSs”   | International Financial Reporting Standards promulgated by the International Accounting Standards Board   |
| “International Offering”                                    | the conditional placing of the International Offer Shares at the Offer Price with institutional and professional investors, details of which are described in the section headed “Structure of the Global Offering” in this prospectus  |
| “International Offer Shares”                                | the 146,200,000 Shares in aggregate, comprising 133,700,000 new Shares being offered by the Company for subscription and 12,500,000 Sale Shares being offered by the Selling Shareholders for purchase at the Offer Price under the International Offering, together with any additional Shares offered pursuant to any exercise of the Over-allotment Option, subject to reallocation as described in the section headed “Structure of the Global Offering” in this prospectus |
| “Independent Third Party” or<br>“Independent Third Parties” | person(s) or company(ies) who/which is/are not connected with (within the meaning of the Listing Rules) and is/are independent of the directors, chief executives and substantial shareholders of the Company and its subsidiaries or any of their respective associates  |
| “International Underwriters”                                | the underwriters in respect of the International Offering, who are expected to enter into the International Underwriting Agreement to underwrite the International Offering   |
| “International Underwriting Agreement”                      | the underwriting agreement relating to the International Offering to be entered into on or about the Price Determination Date among the Company, the executive Directors, the Covenantors, the Selling Shareholders, the Sole Sponsor, the Sole Global Coordinator and the International Underwriters, particulars of which are set out in the section headed “Underwriting” in this prospectus   |

---

## DEFINITIONS

---

|                           |  |
|---------------------------|--|
| “IPO”                     | initial public offering of shares on recognized stock exchange as stipulated in the Redeemable Convertible Loan Agreement  |
| “ISO”                     | International Organization for Standardization, a world-wide federation of national standards bodies whose mission is to develop industrial standards that facilitate international trade                    |
| “KIWA”                    | KIWA Machinery Co., Ltd, a company incorporated in Japan on 23 October 1959 which is owned by Independent Third Parties, and is our 50% joint venture partner in KIWA-CW                                     |
| “KIWA-CW”                 | KIWA-CW Machine Manufacturing Pte. Ltd., a jointly-controlled entity incorporated in Singapore on 26 January 2005 which is owned as to 50% by CW Tech and 50% by KIWA  |
| “KIWA-CW Group”           | collectively, KIWA-CW and KIWA-CW (Shanghai)   |
| “KIWA-CW (Shanghai)”      | 紀和機械製造(上海)有限公司 (KIWA-CW (Shanghai) Machine Manufacturing Co., Ltd.*), a wholly foreign-owned enterprise established in the PRC with limited liability on 18 May 2005 and is directly wholly-owned by KIWA-CW |
| “Latest Practicable Date” | 16 March 2012, being the latest practicable date for ascertaining certain information prior to the printing of this prospectus   |
| “Listing”                 | listing of the Shares on the Main Board  |
| “Listing Committee”       | the Listing Committee of the Stock Exchange  |
| “Listing Date”            | the date, expected to be on or about 29 March 2012, on which the Shares are listed and from which dealings in the Shares commence on the Main Board  |
| “Listing Rules”           | The Rules Governing the Listing of Securities on the Stock Exchange  |
| “M&A Rules”               | Rules on the Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定), which came into effect on 8 September 2006 and was amended on 22 June 2009                            |
| “Main Board”              | the stock exchange (excluding the option markets) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange                  |

---

## DEFINITIONS

---

|                         |   |
|-------------------------|---|
| “MOFCOM”                | Ministry of Commerce of the PRC (中國商務部)   |
| “Mr. Fu”                | Mr. Fu Junwu, a substantial Shareholder and a member of our senior management   |
| “Mr. Sam Wong”          | Mr. Wong Mun Sum, an executive Director and a Controlling Shareholder   |
| “Mr. Tay”               | Mr. Tay Choon Siong, a private investor and a consultant of our Company. Mr. Tay’s brother, Tay Choon Guan, Jimmy, is the general manager of CW Advanced Technologies, an indirect wholly-owned subsidiary of our Company   |
| “Mr. William Wong”      | Mr. Wong Koon Lup, an executive Director and the CEO and the chairman of our Group and a Controlling Shareholder  |
| “NASDAQ”                | National Association of Securities Dealers Automated Quotations   |
| “Offer Price”           | the final offer price per Offer Share (exclusive of a brokerage fee of 1.0%, the SFC transaction levy of 0.003% and the Stock Exchange trading fee of 0.005%) of not more than HK\$1.73 per Offer Share and is currently expected to be not less than HK\$1.33 per Offer Share, to be agreed upon by us (for ourselves and on behalf of all the Selling Shareholders) and the Sole Global Coordinator (acting for itself and on behalf of Underwriters) on the Price Determination Date   |
| “Offer Shares”          | the International Offer Shares and the Hong Kong Offer Shares   |
| “Over-allotment Option” | the option to be granted by our Company to the Sole Global Coordinator (acting for itself and on behalf of the other International Underwriters), pursuant to the International Underwriting Agreement, to require our Company to issue and allot up to 24,375,000 additional Shares, representing approximately 15% of the initial Offer Shares, at the Offer Price to cover, among other things, over-allocations in the International Offering, if any, exercisable at any time from the date of International Underwriting Agreement up to (and including) the date which is the 30th day from the last day for the lodging of applications under the Hong Kong Public Offering |

---

## DEFINITIONS

---

|   |  |
|---|--|
| “Pfister”                               | FL Smidth Pfister GmbH, a company based in Germany and is a subsidiary of FLSmidth & Co. A/S, a company located in Denmark whose shares are listed on NASDAQ OMX Nordic Exchange Copenhagen. Pfister principally engages in cement production and specialises in equipment for the whole cement production process and is an Independent Third Party   |
| “RM”                                    | Ringgit Malaysia, the lawful currency of Malaysia  |
| “RMB”                                   | Renminbi, the lawful currency of the PRC   |
| “PRC”                                   | the People’s Republic of China which, for the purpose of this prospectus, excludes Hong Kong, the Macau Special Administrative Region and Taiwan   |
| “Price Determination Date”              | the date, expected to be on or before 23 March 2012 or such later date as may be agreed by us (for ourselves and on behalf of all the Selling Shareholders) and the Sole Global Coordinator (acting for itself and on behalf of the other Underwriters), but in any event not later than 26 March 2012, on which the Offer Price will be fixed for the purposes of the Global Offering   |
| “Redeemable Convertible Loan Agreement” | a redeemable convertible loan agreement entered into among SG Tech, the Subscribers, Mr. William Wong, Mr. Sam Wong and WMS Holding dated 21 April 2010 as amended by two supplemental deeds dated 8 July 2010 and 30 September 2010 respectively and amended and restated by a second amended and restated redeemable convertible loan agreement dated 30 September 2010 and amended by two letters of extension dated 16 August 2011 and 31 December 2011 respectively |
| “Reorganization”                        | the reorganization of our Group prior to the issue of this prospectus in preparation for the Listing, details of which are set out in the section headed “Company history and reorganization” in Appendix VI to this prospectus  |
| “Restricted Activity”                   | the business of precision engineering solutions provider and machine tool manufacturer, the business of distributing manufacturing cement production equipment, and the business of distributing rotor weighfeeders of international brands and other cement production equipment and any other new business that the Group may undertake from time to time after the listing of the Shares on the Stock Exchange  |
| “SAFE”                                  | State Administration of Foreign Exchange of the PRC (中國國家外匯管理局)  |

---

## DEFINITIONS

---

|   |  |
|---|--|
| “Sale Shares”                           | the 12,500,000 Shares being offered for purchase by the Selling Shareholders at the Offer Price under the Global Offering  |
| “Selling Shareholders” or “Subscribers” | collectively, Phillip Ventures Enterprise Fund 2 Ltd., 3VS1 Asia Growth Fund Ltd., Skylight Enterprises Group Ltd, Julian Lionel Sandt, Long Chee Tim, Daniel, Terrance Tan Kong Hwa and Polygon Capital Limited, all being Independent Third Parties which/who are selling the Sale Shares as part of the Global Offering   |
| “SD Trading (Shanghai)”                 | 塑鼎貿易(上海)有限公司 (SD Trading (Shanghai) Co., Ltd*), a wholly foreign-owned enterprise established in the PRC with limited liability on 26 February 2004 and is an indirect wholly-owned subsidiary of our Company  |
| “Septwolves”                            | Septwolves Group (Asia) Investments Limited (七匹狼集團(亞洲)投資有限公司), a company incorporated in the BVI with limited liability on 10 October 2007, which was directly wholly-owned by Mr. Zeng Zhixiong at the date of the Septwolves S&P Agreement; Mr. Chan Pang Ching has become the sole shareholder of Septwolves since 19 July 2010. Mr. Chan Pang Ching is an Independent Third Party and prior to 19 July 2010, there was no relationship between our Group and Mr. Chan and/or Septwolves Group (Asia) Investments Limited or its other substantial shareholders |
| “Septwolves S&P Agreement”              | a share sale and purchase agreement entered into between SG Tech and Septwolves dated 9 April 2010 (as supplemented by a supplemental deed dated 31 May 2010)  |
| “SFC”                                   | the Securities and Futures Commission of Hong Kong   |
| “SFO”                                   | the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong), as amended, supplemented and/or otherwise modified from time to time  |
| “SG Tech”                               | SG Tech Holdings Limited, a public company incorporated in Singapore with limited liability on 6 August 2007 and is an indirect wholly-owned subsidiary of our Company   |
| “SG Technologies”                       | SG Technologies Pte. Ltd., a company incorporated in Singapore with limited liability on 26 October 2004 and is an indirect wholly-owned subsidiary of our Company   |
| “SGX-ST”                                | Singapore Exchange Securities Trading Limited  |

---

## DEFINITIONS

---

|                                |   |
|--------------------------------|---|
| “Share(s)”                     | share(s) of HK\$0.01 each in the share capital of our Company   |
| “Share Option Scheme”          | the share option scheme conditionally adopted by the Company by the written resolutions of the Shareholders on 14 March 2012, the principal terms of which are summarized in the paragraph headed “Share Option Scheme” in Appendix VI to this prospectus |
| “Shareholder(s)”               | holder(s) of the Share(s)   |
| “Singapore”                    | The Republic of Singapore   |
| “sq.ft.” and “sq.m.”           | square feet and square metres, respectively   |
| “Starcap”                      | Starcap Group Holdings Ltd, a company incorporated in the BVI with limited liability on 14 March 2002, which is owned as to 50% by Mr. Bernard Tsai and as to 50% by Ms. Lau Kit Wai, both being Independent Third Parties                                |
| “Stock Exchange”               | The Stock Exchange of Hong Kong Limited   |
| “subsidiary” or “subsidiaries” | has the meaning ascribed thereto in section 2 of the Companies Ordinance  |
| “S\$”                          | Singapore dollar(s), the lawful currency of Singapore   |
| “Takeovers Code”               | the Hong Kong Code on Takeovers and Mergers   |
| “Tax Law”                      | Enterprise Income Tax Law of the PRC (中國企業所得稅法) which has come into effect on 1 January 2008, as amended, supplemented and/or otherwise modified from time to time  |
| “Tianjin FeiSiTe”              | 天津菲斯特機械設備有限公司 (Tianjin FeiSiTe Machinery Co., Ltd.*), a wholly foreign-owned enterprise established in the PRC with limited liability on 14 August 2003 and is an indirect wholly-owned subsidiary of the Company   |
| “Tianjin Xing Cai”             | 天津市興彩科工貿有限公司 (Tianjin Xing Cai Science Industry & Trade Co., Ltd.*), a limited liability company established in the PRC on 3 June 1996 which is held as to 97.47% by Mr. Fu and 2.53% by Mr. Fu Shung Yi, the son of Mr. Fu                               |
| “Track Record Period”          | the period comprising the three financial years ended 31 December 2010 and the nine months ended 30 September 2011  |
| “Underwriters”                 | the Hong Kong Underwriters and the International Underwriters   |

---

## DEFINITIONS

---

|                           |  |
|---------------------------|--|
| “Underwriting Agreements” | the Hong Kong Underwriting Agreement and the International Underwriting Agreement  |
| “United States” or “US”   | the United States of America   |
| “US\$”                    | United States dollar(s), the lawful currency of the United States  |
| “WMS Holding”             | WMS Holding Pte. Ltd., a company incorporated in Singapore with limited liability on 5 January 2007, which is owned as to 80% by Mr. William Wong and 20% by Mr. Sam Wong, and is one of our Controlling Shareholders                                  |
| “World Leap”              | World Leap Corporation, a company incorporated in the BVI with limited liability on 2 February 2006, which is owned as to 50% by Ms. Wong Chern Yoke, 33.3% by Mr. Wong Yoon Min and 16.7% by Mr. Michael Ho Su Hau, all are Independent Third Parties |
| “¥”                       | Japanese Yen, the lawful currency of Japan   |
| “%”                       | per cent.  |

\* *for identification purpose only*

*If there is any inconsistency between the Chinese names of the PRC laws and regulations or PRC Government authorities or PRC entities mentioned in this prospectus and their English translations, the Chinese names shall prevail.*

*Unless otherwise specified, the following exchange rates are used in this prospectus for illustrative purpose only:*

*EUR1.00 = HK\$10.13*

*HK\$1.00 = RMB0.81*

*S\$1.00 = HK\$6.13*

*US\$1.00 = HK\$7.76*

*No representation is made that any amount in Hong Kong dollars, EUR, RMB, S\$ or US\$ could have been or could be converted at the above rates or any other rates or at all.*

*Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustment. Figures shown as total in certain tables may not be an arithmetic aggregation of the figures preceding them.*

---

## GLOSSARY OF TECHNICAL TERMS

---

*This glossary contains explanations of certain terms used in this prospectus. These terms and their meanings may or may not correspond to standard industry meaning or usage of these terms.*

|                         |  |
|-------------------------|--|
| “boring”                | the process of making or enlarging a hole  |
| “clinker”               | the incombustible residue, fused into an irregular lump, that remains following the combustion of heating fuels such as coal or wood   |
| “clinker coolers”       | equipment into which clinker leaving the kiln is placed to be cooled by an air supply system   |
| “CNC”                   | the abbreviation for “computer numeric control”, where the functions and motions of a machine tool are controlled by means of a prepared program containing alphanumeric data. CNC can control the motions of a workpiece or tool, the input parameters such as feed, depth of cut, feed and the functions, such as turning the spindle on/off or coolant on/off |
| “CNC machining centre”  | mechanical engineering manufacturing equipment operable under CNC automation by making use of several axes and a variety of tools and operations. They are capable of performing multiple machining operations in the same set up with a variety of tools  |
| “coal dust”             | a fine powdered form of coal   |
| “components”            | an electronic device or mechanical part that forms the constituent of the machining centres or industrial equipment  |
| “counter-boring”        | the process of creating a cylindrical flat-bottomed hole which enlarges another hole   |
| “flow control gates”    | a device that regulates the flow of raw materials for the manufacture of cement  |
| “Four Joints Mechanism” | a mechanical technologies used in the cooler system to transport material, it replaces the conventional chain drive, and have the benefit of energy saving   |



---

## GLOSSARY OF TECHNICAL TERMS

---

|                                      |   |
|--------------------------------------|---|
| “ISO 9001:2000”                      | a constituent part of the ISO 9000 series which states the requirement for a quality management system and covers the following eight management principles: customer focus, leadership, involvement of people, process approach, system approach management, continual improvement, factual approach to decision-making and mutually beneficial supplier relationship        |
| “lignite”                            | brown coal, which is the lowest grade of coal   |
| “machine tool”                       | a powered mechanical device that is typically used to shape metal or other materials via automation   |
| “precision engineering solutions”    | conceptualisation, design, production sourcing and procurement of required components and equipment, equipment/system assembly and site installation, quality control inspection and machine commissioning, and support and maintenance of production lines   |
| “milling”                            | the process of precisely and accurately cutting, shaping or finishing materials with a rotating cutting tool  |
| “pallet changers”                    | the function of a pallet changer is to install dual-working table in one machine where one table can set up work piece while the other performs machining cutting to achieve fast turn around time for mass machining process to achieve high production output   |
| “petrol coke”                        | a carbonaceous solid derived from coal  |
| “planetary clinker cooler”           | a system that enables several cooler tubes to be attached to the kiln at the discharge end. The clinker leaves the kiln after exchanging heat with the cooling air. The cooling air enters the clinker cooler in counter current with the hot clinker exchanging heat with it. It improves efficiency of the combustion at the kiln by means of pre-heating the secondary air |
| “plastic injection moulding machine” | a machine used for producing plastic parts from plastic resins  |

---

## GLOSSARY OF TECHNICAL TERMS

---

|                                      |   |
|--------------------------------------|---|
| “precision machine tool engineering” | the research and development, design, manufacture and measurement of high-accuracy components and systems. It is related to mechanical, electronic, optical and production engineering, physics, chemistry, and computer and materials science  |
| “reciprocating grate clinker cooler” | a system that can achieve lower clinker discharge temperatures by passing an additional quantity of air through the clinker. As the additional air cannot be utilized in the kiln for efficient combustion, it is vented to the atmosphere  |
| “rotary clinker cooler”              | a system that maximizes the clinkers’ exposure to air through rotation of the shell body. The heat transfer is based upon cascading the clinker through the cooling air during each revolution of the kiln  |
| “rotor weighfeeders”                 | machines used for dosing pulverized fuels such as petrol coke, lignite and coal dust in the cement burning process as well as for dosing raw coal for power plants  |
| “semi-conductor”                     | an integrated circuit device, with electrical conductivity intermediate between that of an insulator and a conductor. It is a basic component of various kinds of electronic circuit element used mainly in communications, control and detection technology and in computers                                     |
| “Stepped Air Flow Function”          | an air cooling system used in the cooler system which provides variable air flow to cool the material in accordance with the material quantity, thereby providing a more efficient way of cooling the material  |
| “sub-assembly”                       | the assembly of parts of a component  |
| “tapping”                            | the process of cutting internal threads in a workpiece with a multi-point tool  |
| “threading”                          | the process of cutting internal threads onto a solid shaft  |
| “turning”                            | the process in which a work piece is held and rotated about its longitudinal axis on a lathe machine. Cutting tools mounted on the lathe machine are fed into the work piece to remove material and thus produce the required shape. The turning process is commonly used for machining cylindrical shaped parts. |

---

## RISK FACTORS

---

*In addition to other information in this prospectus, you should carefully consider the following risk factors before making any investment decision in relation to the Offer Shares, which may not be typically associated with investing in equity securities of companies from other jurisdictions. If any of the possible events described below occur, our business, financial condition or results of operations could be materially and adversely affected and the market price of the Offer Shares could fall significantly.*

### RISKS RELATING TO OUR BUSINESS

**In view of the fluctuations in our gross profit margin, the historical gross profit margin level is not indicative of our future gross profit margin level**

Our Group's business principally comprises 5 business segments, namely precision engineering solutions segment, cement production equipment segment, CNC machining centre segment, components and parts segment and provision of technical after-sales services segment. We offer different types of machines and equipment in each business segment, and the gross profit margin in respect of each business segment varied during the Track Record Period depending on the types of machines and equipment and parts sold to our customers. During the course of our business, we may satisfy our customers' orders by self-manufacturing of our own branded machinery or sourcing machinery from third party suppliers, depending on the requirements of each customer. The change in the proportion of our manufacturing business and trading business has resulted in the fluctuation of our gross profit margin during the Track Record Period.

With respect to the precision engineering solutions segment, the fluctuation in our gross profit margin was due to their project based nature and the gross profit margin varied depending on the scale and value-added equipment and customization required on each project. With regard to the cement production equipment, we experienced an increase in our gross profit margin due to the increase in the sales of our self-produced “菲斯特” brand products and the reduction of cost as a result of the localization of productions. As regards the CNC machining centre segment, we experienced low gross profit margin in 2009 because of our adoption of a competitive pricing policy as a result of the then poor market condition. We recently experienced a decrease in the gross profit margin of our components and parts segments mainly because we secured a project for a significant contract sum, but the gross profit margin was low due to it being trading in nature. As different segments have different gross profit margins, the change in product mix has resulted in the fluctuation in our Group's overall gross profit margin during the Track Record Period.

Moreover, according to our pricing policy, our mark-up is determined with reference to the extent and degree of value-added equipment and customization that is required by our customers with respect to each project. As we possess the capability of serving customers in a wide range of different industries, this may vary significantly from project to project.

Given the above, the historical fluctuation of our gross profit margin may not reflect the future movement and/or trend of gross profit margin of our Group. We may experience significant fluctuations in gross profit margin in future should our product mix vary.

---

## RISK FACTORS

---

### **We are vulnerable to fluctuations in the cost of our key materials**

Expenses on CNC machining centres, and metal components and parts form most of our cost of materials, representing approximately 97.1%, 97.2%, 97.5% and 99.1% of our total cost of goods sold for the three years ended 31 December 2008, 2009 and 2010 and the nine months ended 30 September 2011 respectively. These CNC machining centres and metal components and parts are affected by the price of cast iron. In addition, we also use cast iron as a direct raw material in our manufacturing process. During the Track Record Period, the cost of cast iron comprised approximately between 8%-13% of the total production cost of the CNC machining centres that we manufactured.

The prices at which we purchase our raw materials are based on prevailing market prices which are affected by market supply and demand, the conditions of which may fluctuate from time to time. The prices for our cost of materials may also appreciate suddenly due to intervening factors such as supply disruptions. In addition, the prices of materials may also fluctuate due to the implementation of government policies which may affect their supply and/or demand. During the Track Record Period, the price of cast iron we purchased ranged from RMB8.10 per kilogramme to RMB10.55 per kilogramme.

In the event that there is a material increase in the purchase prices of our raw materials and we are unable to pass on such price increment to our customers, our cost of production will increase whereupon our gross margin and profitability may be adversely affected.

### **We may lose our agency rights to the products which we supply**

We have been appointed by a number of machinery manufacturers as their authorized agents (either on an exclusive or non-exclusive basis). The scopes of these agencies vary from manufacturer to manufacturer but typically include, but are not limited to, dealing with the manufacturer's correspondence, technical and maintenance enquiries and provision of service support for the manufacturer's customers. The details of those manufacturers are disclosed in the subsection headed "Products and equipment sold under agency arrangements" under the section headed "Business" in this prospectus. The revenue attributable to the agency arrangements during the Track Record Period was approximately HK\$97.1 million, HK\$66.7 million, HK\$67.4 million and HK\$6.2 million respectively. The gross profit attributable to the agency arrangements during the Track Record Period was approximately HK\$19.2 million, HK\$13.2 million, HK\$11.4 million and HK\$2.2 million respectively.

Moreover, due to the non-exclusive nature of some of these agencies, our Group faces competition from other competitors for the manufacturers' business and there is nothing to prevent these manufacturers from giving their business to our competitors. In such an event, the profitability of our Group's business would be adversely affected.

Such appointments are confirmed through written agency certificates or letters of appointment. However, such agency certificates or letters of appointment do not contain any provisions in relation to the respective rights and obligations of the manufacturers and our Group as agents, including sales returns and warranty policies, product liabilities and termination. Some of such certificates or letters of appointment have not set out the period of such appointments. As such, there can be no assurance that such agency arrangements will not be terminated by the respective manufacturers at any time or that we will be able to consistently obtain the products on acceptable terms.

---

## RISK FACTORS

---

In the event that we lose our agency rights, we may need to purchase those products through the manufacturer's authorized sales agents. In such circumstances, the purchase cost of such products may be different and the profitability of our Group's business would be adversely affected.

In addition, in the event that the supply of any products to any particular customer of the manufacturers is deemed to infringe the laws or regulations of the country of origin for such products relating to the supply of strategic goods to prohibited countries or customers, the relevant authorities of those such countries may require the termination of the relevant agency arrangements. In the event that any of these agency arrangements are terminated or that we are unable to distribute the products on viable commercial and business terms, our business operations and profitability will be adversely affected.

### **We may not be able to continue our collaborations with KIWA and DMPG**

As at the Latest Practicable Date, we had collaborations with international machinery manufacturers, KIWA and DMPG, respectively. We established KIWA-CW as a jointly-controlled entity with KIWA, a machining center manufacturer incorporated in Japan, which enables us to benefit from their technical know-how and experience. We design and manufacture customized CNC vertical machining centres under the brand names of "KIWA-CW" and "KIWA" pursuant to an exclusive licence in the PRC granted to us by KIWA. During the Track Record Period, revenue contributed from the KIWA-CW Group was approximately HK\$17.5 million, HK\$8.8 million, HK\$34.3 million and HK\$40.4 million respectively. We have also collaborated with DMPG, a German company, regarding the manufacturing of CNC horizontal machining centres pursuant to a Memorandum of Understanding dated 27 January 2011. We have already received purchase orders from DMPG with production being commenced in early 2012, and we have recorded revenue of approximately HK\$0.4 million for the nine months ended 30 September 2011. For further details of our collaborations with KIWA and DMPG, please refer to the paragraph headed "Partnership with International Machinery Producers" in the section headed "Business" in this prospectus.

If such collaborations were for whatever reason terminated, our Group would lose our revenue generated from these collaborations, and in such an event, our profitability and results of our operations would be adversely affected. If we cannot identify and secure new collaborations with other international machinery manufacturers of similar expertise, stature and product-range, our Group's operations would be adversely affected.

### **We are reliant upon our banking facilities to provide operating liquidity**

Our Group's operating liquidity and working capital are dependent upon our existing banking facilities and in particular, the overdraft, loan and trade finance facilities that are granted to us by our banks. As at 31 December 2008, 2009, 2010 and 30 September 2011 respectively, we had utilized facilities in the aggregate amount of approximately HK\$63.7 million, HK\$80.0 million, HK\$94.4 million and HK\$66.2 million respectively. During the Track Record Period, our Group has maintained good relationships with our banks and has not encountered any material difficulties in obtaining these banking facilities or lines of credit. However, if, for whatever reason, our banks cancel or reduce the amount and/or scope of the facilities or credit lines offered, our Group's operations and profitability would be adversely affected.

---

## RISK FACTORS

---

### **We are exposed to the credit risks of our customers and may face long turnover period in respect of trade receivables**

We grant our customers different credit periods according to business segments which is in line with the industry norm. The general range of credit periods granted is from 60 to 270 days for precision engineering solutions, and there are certain instances where our Group may grant credit terms of up to 360 days, including (i) the new model of products that longer time is required to ensure the products can run smoothly; (ii) the services and products our Group provided are only part of the customers' production line and the relevant customer would not settle the amounts payable to its suppliers, including that payable to our Group, until the customer's entire production line has been completed; and (iii) competitors offer similar terms to our customers; from 60 to 180 days for sale of CNC machining centres; from 0 to 120 days for sale of cement production equipment; from 30 to 180 days for the sale of component and parts and from 30 to 360 days for after sales technical support services. For the three years ended 31 December 2008, 2009 and 2010 and the nine months ended 30 September 2011 respectively, the account receivable turnover days were 151, 178, 147 and 177 days respectively.

For certain customers sourcing photovoltaic components and parts from us for their construction projects relating to photovoltaic plants, the credit period granted will be from three days up to three weeks upon such projects reaching certain milestones. In the event the milestones are not achieved or timely achieved, we may not receive the outstanding amount or may fail to timely receive the outstanding amount from our customers. Our Group's profitability and cash flows are dependent to a large extent on the creditworthiness of our customers and their ability to settle the outstanding amount owed to our Group on a timely basis in accordance with the credit periods we have granted them. If any of our customers fails to pay the outstanding amount or fails to pay the same in a timely manner, we may have to make allowances for doubtful debts or incur write-offs, which may have an adverse impact on our revenue.

To manage and minimize our credit risk exposure, customers are given different terms of payment depending on the nature and value of the transaction, level of risk involved, cost structure, payment history of the customer, our relationship with the customer and the credit standing of the customer. Customers with good credit standing may, on a case-by-case basis, be able to extend their payment terms. Due to the relatively long credit terms granted to our customers, our Group may face pressure on working capital management and our Group is exposed to the credit risks of our customers.

### **Due to the nature of our business, we do not have continuous long term business relationships with our customers**

Due to the nature of our Group's business, the majority of orders received from our customers are project-based orientated. As we do not have any long term contractual arrangements with our customers, there is no assurance that we will continue to secure the orders from these customers or maintain or increase our current level of business activities with them in the future. The loss of any of our major customers or any material decline or cancellation of orders from them may adversely affect our business operations, financial performance and conditions. Moreover, as precision engineering equipment possesses a relatively long life-span which ranges from 4 to 15 years, there is thus no requirement for us to maintain continuous long term business relationships with our customers. Our financial performance will be adversely affected in the event that we are unable to secure business from future projects and new customers.

For the nine months ended 30 September 2011, sales of photovoltaic components and parts amounted to approximately HK\$116.1 million. As such trading sales were order-driven and non-

---

## **RISK FACTORS**

---

recurring in nature, there is no assurance that we will be able to secure orders of a similar nature in the future. In the event that we are unable to secure orders of similar nature in future, our financial performance would be adversely affected.

### **We are dependent on our management, professional engineers and other key personnel**

Our Group is dependent on the services of our executive Directors and the members of our senior management including our professional engineers and project managers.

Our executive Directors, Mr. William Wong, Mr. Lim Chwee Heng and Mr. Sam Wong have made significant contributions to the business development, strategies, sales and marketing networks of our Group. The continued success of our business is thus dependent on the continued services of our executive Directors.

Apart from our executive Directors, our professional engineers and project managers are also crucial for our Group's business operations. In particular, we depend on our professional engineers and project managers to design and develop customized precision engineering solutions according to our customers' specifications.

If our Group loses the services of any of the above-mentioned personnel without finding suitable replacements in a timely manner, or if we fail to attract and retain qualified personnel in our Group, it may adversely affect our operations and hence our revenue and profits.

### **We may experience a shortage of labour and an increase in labour costs**

For the three years ended 31 December 2008, 2009, 2010 and the nine months ended 30 September 2011, the cost of direct labour accounted for approximately 1.9%, 2.2%, 1.5% and 1.1% respectively, of our total cost of goods sold. Labour costs in the PRC have been increasing and may continue to increase in the future. We cannot assure that we will not encounter any shortage of labour or that the cost of labour will not increase in the future. If we experience a shortage of labour, we may not be able to maintain our production capacity. If we cannot identify and employ other appropriate means to reduce our production costs, or pass on such increase in the labour costs to our customers, our business, financial condition, results of operations and prospects may be materially and adversely affected.

### **We are subject to foreign exchange risks**

Our Group is subject to foreign currency exchange risks, which have not been hedged. Our foreign exchange losses amounted to approximately HK\$3.3 million, HK\$1.7 million, HK\$1.1 million and HK\$3.3 million for the three years ended 31 December 2010 and the nine months ended 30 September 2011 respectively. We purchase raw materials and inventories from our suppliers located in different countries worldwide. During the Track Record Period, the Group used predominantly Renminbi, United States dollars, EUR and Singapore dollars for its purchases. During the Track Record Period, our Group managed our foreign exchange exposure as far as possible by matching the currency that we transacted with our customers to the currency that we purchased in to create a natural hedge. During the Track Record Period, all our revenue/purchases were denominated in foreign currencies, and none was denominated in Hong Kong dollars. Should there be any significant changes in the exchange rate of these key foreign currencies in the future, our Group's financial condition and results of operations may be adversely affected.



---

## RISK FACTORS

---

We are also subject to translation risk as our combined financial statements are presented in HK\$ while the financial statements of some of our subsidiaries are prepared in RMB, RM and S\$. In the preparation of the consolidated financial statements, the financial statements of our foreign subsidiaries are translated from their respective reporting currencies based on prevailing exchange rates on the respective balance sheet dates, except for share capital and reserves which are translated at historical exchange rates and profit and loss items which are translated at average exchange rates for the respective years.

### **We are susceptible to seasonality and are exposed to liquidity risk**

Our sales are susceptible to seasonality. We typically record higher sales in the second half of our financial year. For each of the financial year ended 31 December 2008, 2009 and 2010, 61.4%, 68.7% and 61.7% of our sales were generated in the second half of each year. As a result, our profits in the first half of every year will be affected as we have fixed and indirect costs that do not fluctuate according to our seasonal revenue. If we are unable to manage our cash flow in an effective manner, we may face a liquidity problem and our operations will be adversely affected.

### **The registration of certain trademarks and patents in the PRC are still pending and may not be approved**

Up to the Latest Practicable Date, we have applied for registration of several brand names, among which we consider “KIWA-CW”, “KIWA” and “菲斯特” to be the most important to our operations. For further details, please see the paragraph headed “Intellectual property right” under the section headed “Statutory and general information” in Appendix VI to this prospectus. We have been advised by our PRC legal advisers that under PRC law, trademarks and patents must be registered with the relevant government authority in the PRC so as to be protected by the relevant law. As at the Latest Practicable Date, no material objections, except for the objection regarding using 菲斯特 on packaging machine, have been received from the relevant PRC authority or from any third parties with respect to such applications or our use of those trademarks or patents, and none of our Directors are aware of any threatened or pending claims by any third parties against us for the use of such trademarks or patents. However, we might not successfully register these trademarks and patents, and our continued use of such trademarks and patents might infringe upon intellectual property rights of third parties.

Should we fail to register any of the trademarks and patents under application, or we are held by any court or tribunal to be infringing upon or have infringed upon any trademarks and patents or intellectual property rights of others, our reputation and brand image could be materially and adversely affected, which could in turn materially and adversely affect our business, financial condition, results of operations and prospects.

### **Our financial reporting may be affected by changes to accounting standards**

Our Group financial results and reporting may be affected by changes to the requirements of the International Financial Reporting Standards. Specifically, (i) new IFRS 11 Joint Arrangements which will become effective in 2013, will have impact on the presentation of the consolidated statement of comprehensive income, consolidated statement of financial position and consolidated statement of cashflow; and (ii) IFRS (Revised) 28 – Investments in Associates and Joint Ventures which is effective for the annual period beginning on or after 1 January 2013, will discontinue the



---

## RISK FACTORS

---

use of proportionate consolidation of joint ventures and only allows the equity method of accounting. Proportionate consolidation involves the venturer combining on a proportionate basis its shares of the assets, liabilities, income and expenses of the jointly-controlled entity of similar items, line by line. We have adopted the proportionate consolidation method to account for our jointly-controlled entities namely KIWA-CW and KIWA-CW (Shanghai) during the Track Record Period. Our presentation of the financial information may change significantly due to the discontinued use of proportionate consolidation for jointly-controlled entities such as revenue, other income and expenses lines and current and non-current assets and liabilities.

Upon implementation of the above-mentioned accounting standards when they become effective, each individual line item in the financial statements will no longer include the proportionately consolidated financials of KIWA-CW and KIWA-CW (Shanghai). The financial effects of these entities will be recorded under a single line in the combined statement of comprehensive income and under investments in the combined statement of financial position. In view of the change in presentation as explained above, the management discussion and analysis (particularly the financial ratios) may be affected accordingly.

### **We may encounter legal claims and disputes concerning product defects**

During the course of our business operations, we may face the possibility of various claims and disputes concerning production defects.

We may face the risk of product liability claims from our customers. Our products are produced to conform to and perform according to our customers' specifications. For products manufactured by our Group, we generally provide up to a one-year warranty against defective workmanship (which excludes consumable parts and wear and tear) for some of our products. During this warranty period, we are required to rectify defects in our products due to workmanship free of charge.

If we are required to rectify defects during the warranty period, it will result in additional costs which in turn could reduce our profit margins. Further, in respect of those manufacturing defects which have caused loss or damage to our customers, we may be subject to claims from them beyond the warranty period. In the event that our customers lodge claims against us for recovery of such loss and damage it may adversely affect our financial performance.

### **Our Group's business operations may not be adequately insured**

As more particularly disclosed in the paragraph headed "Insurance" under the section headed "Business" in this prospectus, our Group maintains insurance policies covering various aspects, including but not limited to public liability, property, fixed assets and inventory.

There is no assurance that our current insurance coverage is adequate for our Group's business operations. Moreover losses such as those that may arise due to events such as earthquake, typhoon, flooding, rainstorm, war and civil disorder may not be insurable, or are insurable only on limited terms. Any successful claim made against our Group which is not covered by our existing insurance policies, or is in excess of our current insurance coverage, may have a material adverse effect on our Group's financial position.

---

## RISK FACTORS

---

### **Our Group has limited product liability insurance coverage**

Our product liability insurance coverage is limited and may not adequately protect us against all the risks related to our business and operations. We maintain product liability insurance coverage only in respect of KIWA-CW (Shanghai), but we do not maintain product liability insurance coverage for our operations with respect to our other Group companies. We have provided warranties to our customers. The standard terms of these warranties are typically twelve months after commissioning or eighteen months after the date of the bill of lading, whichever is earlier or applicable. If any claims were to be made by our customers, we might have to incur substantial costs and experience a diversion of our resources which would have a material effect upon our business operations.

### **We are subject to risks relating to the economic, political, legal or social environment of the locations in which we operate or have business dealings**

Currently, the countries or regions in which we operate or have business dealings include, inter alia, Singapore, the PRC, Hong Kong, Japan, Malaysia, Thailand, India, Indonesia and Europe. Our business earnings and prospects may be materially and adversely affected by various factors, including but not limited to, inflation, interest rates, currency fluctuations, government policies, exchange control regulations, laws and regulations, social instability and other political, legal, economic or diplomatic developments in or affecting such countries. In particular, the business of our Group would be affected by factors such as rising inflation rates or global or regional financial turmoil, which may adversely affect the economies in which we operate. As we need to continuously find new ways to deal with such changes and to analyse and formulate strategic alternatives where necessary, we have no control over such conditions and developments and can provide no assurance that such conditions and developments should they occur will not have a material adverse effect on our operations, profitability or the price of our Shares.

### **Some of the leases of properties in the PRC may be invalid under the laws of the PRC**

According to Article 44 of the Provisional Regulations of the PRC Concerning the Grant and Assignment of the Right to Use State-owned Land in Urban Areas (《中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例》) promulgated by the State Council of the PRC, no transfer, leasing or pledge of the land use rights obtained by allocation (劃撥) is allowed unless prior approvals are obtained from the relevant governmental authorities. Pursuant to Article 52 of the PRC Contract Law (《中華人民共和國合同法》), any contract which violates any laws or mandatory regulations of the PRC shall be invalid. The two leases in respect of the properties leased by our Group, both being used for production and office use and located at units 101 and 102, Block 17, No.260, Liancao Road, Minhang District, Shanghai, PRC with a total gross floor area of 1,431.06 sq.m. and 2,595.01 sq.m. respectively, have been obtained by allocation (劃撥) but no approval has been obtained from the relevant PRC authorities for such leases by the lessor. As advised by our PRC legal advisers, the relevant leases will probably be invalid and unenforceable as a result of the breach of such mandatory regulation. In the event of any dispute between our Group and the lessor, the court may declare the relevant lease(s) to be invalid. In such event, our Group will be required to relocate its office(s) and production facilities to alternative premises which our Directors estimate would cost not more than HK\$2.3 million. As we would need approximately two months for such vacation/relocation, we estimate our loss of revenue as a result of the possible

---

## RISK FACTORS

---

vacation/relocation to be approximately HK\$6.2 million and therefore, our Group's operational and financial results could be adversely affected. According to the aforementioned regulations, any entities or individuals that transfers, leases or mortgages the allocated land use rights without authorization, shall have their illegal incomes therefrom confiscated by the relevant PRC governmental authorities and shall be fined in accordance with the seriousness of the case.

In view of the aforesaid non-compliance with the regulations, there is a risk that the relevant authorities may require our Group to vacate the leased properties. As a result of such possible vacation/relocation, our Group's operational and financial results could be adversely affected.

### **Certain leases of properties in the PRC have not been registered with the relevant PRC governmental authorities**

The leases in respect of properties leased by our Group for office purpose located at No. 172, Lane 38, Chengzhong Road, Zhujing Town, Shanghai, the PRC and the properties leased by our Group for production and processing purposes located at No. 4191, Longwu Road, Minhang District, Shanghai, the PRC have not been registered with the relevant PRC governmental authorities. As advised by our PRC legal advisers, according to Article 54 of the Law of the Administration of Urban Real Estate of the PRC (《中華人民共和國城市房地產管理法》), the lessor and the lessee should enter into a lease agreement for the lease of a property and apply for lease registration with the relevant governmental authority. Pursuant to Article 15 of the Regulations of Shanghai on Lease of Buildings (《上海市房屋租賃條例》), the parties (i.e. both the lessor and the lessee) should apply for lease registration with the relevant government authority and the non-registration of a lease is not enforceable against any third party. No legal liability is stipulated under the Regulations of Shanghai on Lease of Buildings (《上海市房屋租賃條例》). According to Article 14 of the Measures Concerning the Administration of the Leasing of Commodity Properties (商品房屋租賃管理辦法) (the "Measures"), which came into effect on 1 February 2011, the parties to a lease shall apply for lease registration to the local property administrative department of the government at municipal or county level within 30 days after the date of the lease; according to Article 23 of the Measures, the local property administrative department shall make an order for rectification within a prescribed time limit; if the responsible party fails to register the lease within the aforesaid time limit, a fine not more than RMB1,000 will be imposed on a person and a fine of not less than RMB1,000 but not more than RMB10,000 will be imposed on an enterprise. However, according to the Interpretations (I) of the Supreme People's Court to Several Problems in applying the PRC Contract Law (《最高人民法院關於適用《中華人民共和國合同法》若干問題的解釋(一)》), the validity of a contract shall not be affected by the non-registration even though such contract is required to be registered pursuant to the laws and administrative regulations provided that such contract do not contain any provisions for such contract to take effect upon registration. As our Group and the lessor failed to process the lease registration within the prescribed limit, our Group and the lessor shall be subject to a fine of not less than RMB1,000 but not more than RMB10,000. According to the consultation made by our PRC Legal Advisers with the Enforcement Office of Shanghai Minxing District Property Administration Bureau, if the non-registration is discovered by the authority, the responsible parties will be ordered to make rectification in the first place and the fine will only be imposed when the responsible parties fails to make rectification.

---

## **RISK FACTORS**

---

We cannot provide any assurance that the leases will not be affected by the above. Accordingly, we may be ordered by the relevant authority to make rectification for the non-registration of the leases and may be subject to the fine for failure to make rectification as mentioned above.

### **Our Group had committed certain breaches of the PRC laws and regulations in the past**

As more particularly disclosed in the paragraph headed “Material non-compliance incidents and indemnity” under the section headed “Business” in this prospectus, our Group had committed certain breaches of laws and regulations of the PRC in the past, including (i) failure to pay the registered capitals of KIWA-CW (Shanghai), CWI (Shanghai) and Tianjin FeiSiTe in a timely manner, (ii) failure to make housing provident fund registration for SD Trading (Shanghai) and Tianjin FeiSiTe in a timely manner, (iii) failure to register the social security funds and fully pay the social security funds of Tianjin FeiSiTe in a timely manner and (iv) the trust arrangement in respect of the equity interest in our subsidiary, SD Trading (Shanghai) in 2004. We have sought our PRC legal advisers’ opinion on each of the aforesaid incidents of non-compliance and they have confirmed that, according to their opinion, neither KIWA-CW (Shanghai), CWI (Shanghai), Tianjin FeiSiTe or SD Trading (Shanghai) will be penalized for the above-mentioned incidents of non-compliance. However, there is no assurance that the relevant PRC authorities would have the same interpretation of the relevant laws and regulations as our PRC legal advisers on the said incidents of non-compliance, which in such a case may adversely affect our Group’s business operations and reputation.

To cater for such a possibility, each of WMS Holding, Mr. William Wong and Mr. Sam Wong has jointly and severally agreed to indemnify our Group for any possible losses and damages incurred resulting from each of the above-mentioned incidents of non-compliance.

### **RISKS RELATING TO THE INDUSTRIES IN WHICH WE OPERATE**

#### **We face intense competition in our business**

There is no legal or regulatory entry barrier to the business which our Group is engaged. There are other established international and local manufacturers of components and parts and precision engineering equipment and solutions providers operating in the market place whom may possess more in depth experience, expertise, technical knowhow and financial ability to capitalise on pricing strategies and other services to gain an edge over competition. In the event that our competitors offer cheaper alternatives to our products or services, or engage in aggressive pricing in order to increase their market share, or are capable of supplying products with superior performance, functions or efficiency our operations would be adversely affected. In such circumstances, we would have to invest additional time and financial resources to promote our products and services to our existing and potential new customers. Hence, this may have an adverse effect on our business as well as the results of our operations.

#### **We are susceptible to the business cycles of the industries in which our end customers operate**

We provide machinery, components and other machine tool equipment and precision engineering solutions services to various customers in a wide range of industries including the precision engineering, electronics/semi-conductor, aerospace, oil, gas and marine, automotive and construction materials

---

## **RISK FACTORS**

---

sectors. The business cycles and growth prospects of each of these sectors will have a corresponding effect on the demand for our products and services. During the Track Record Period, we adjusted our business strategies in line with the cyclical upswings and downswings in these sectors in order to accommodate the increases and decreases in demand for our products and services. However, there can be no assurance that we can effectively manage the fluctuations in demand. Should there be a prolonged downturn in any of these industries, our business and profitability will be adversely affected.

### **We are subject to technological changes in the industry**

The machine tool industry and the development of precision engineering solutions are subject to rapid technological advances. Our Group's success will depend on our ability to keep abreast of these developments in technology and to adapt our business strategy to effectively deal, accommodate and embrace these advances.

However, there is no assurance that our Group can respond promptly and cost effectively to these changes. Further, our Group has not carried out any significant research and development activities during the Track Record Period. If our Group is unable to compete with our competitors' new products or improve our own products in line with the rapid technological developments, whether due to financial or technical reasons, our Group's business and operational results would be adversely affected.

### **RISKS RELATING TO THE PRC**

#### **We may be affected by economic, political and social conditions in the PRC**

Our operations may be adversely affected by changes in the political, economic and social conditions in the PRC. This is because our production facilities are located in the PRC and a substantial portion of our sales and profits are derived from PRC customers. We anticipate that the PRC market will continue to be a major source of revenue for us in the foreseeable future. Accordingly, any significant slowdown in the PRC economy or decline in demand for our products from our customers in the PRC will have an adverse effect on our business and financial performance. Furthermore, any unfavourable changes in the social and political conditions of the PRC may also adversely affect our business operations.

Any changes in the political and economic policy of the PRC government may lead to changes in the laws and regulations or the interpretation of the same, as well as changes in foreign exchange regulations, taxation and import and export restrictions, which may in turn adversely affect our financial performance. Such reforms have resulted in economic growth for the PRC but such reforms are unprecedented or untested, and they are expected to be refined and modified from time to time by the PRC government. Other political, economic and social factors may also lead to further readjustments of the reforms. This refinement and readjustment process may consequently have a material and adverse impact on our business and profitability in the PRC.

There is no assurance that our operations will not be adversely affected should there be any policy changes.

---

## RISK FACTORS

---

### **We may be affected by currency conversion and foreign exchange controls in the PRC**

The PRC companies of our Group are subject to the PRC rules and regulations on currency conversion. In the PRC, SAFE regulates the conversion of the RMB into foreign currencies. Currently, foreign investment enterprises (“FIEs”) are required to apply to SAFE for “Foreign Exchange Registration Certificates”. With such registration certifications, FIEs are allowed to open foreign currency accounts including the “foreign currency current account” for current account items (經常項目外匯帳戶) and “foreign currency capital account” for capital account items (資本項目外匯帳戶). Currently, conversion within the scope of the “foreign currency current account” (e.g. remittance of foreign currencies for payment of dividends) can be effected without the approval of SAFE and/or its branches. There is however no assurance that these foreign exchange policies will remain unchanged in the future. However, conversion of currency in the “foreign currency capital account” (e.g. for capital items such as direct investments, loans, securities) still requires the approval of SAFE and/or its branches and/or registration with SAFE and/or its branches, and such approval may not be granted by SAFE and/or its branches.

The basic applicable law in respect of conversion of RMB into other currencies is the Regulation for Foreign Exchange Controls of the PRC which came into effect on 1 April 1996 and amended as of 1 August 2008.

According to the Regulation for Foreign Exchange Controls of the PRC:

- (a) conversion of RMB into foreign currencies for the use of recurring items, including the distribution of dividends and profits to foreign investors of foreign investment enterprises is permissible and foreign investment enterprises are permitted to remit foreign currencies from their foreign currency bank accounts in the PRC upon presentation of the board resolutions which authorise the distribution of profits or dividends and subject to other requirements being satisfied; and
- (b) conversion of RMB into foreign currencies for capital items, such as repatriation of capital, repayment of loans and for securities investment, is still subject to the approval of the relevant PRC governmental authority.

In the event that the PRC companies of our Group are unable to obtain the necessary approvals for the conversion of currency in the “foreign currency capital account”, they will not be able to proceed with such conversion and correspondingly, fund the relevant capital items.

### **We may be affected by the introduction of new laws and regulations or changes to existing laws and regulations of the PRC**

Our business and their operations in the PRC are governed by the legal system of the PRC. The PRC legal system is a codified system with written laws, which include a constitution, statutes, administrative regulations, local regulations, autonomy regulations, separate regulations and rules issued by governmental departments. The PRC government is still in the process of developing its legal system to meet the needs of investors and to encourage foreign investment. As the PRC economy is



---

## RISK FACTORS

---

undergoing economic development at a faster pace than its legal system, some degree of uncertainty exists in connection with whether and how existing laws and regulations will apply to certain events or circumstances. Some of the laws and regulations, and the interpretation, implementation and enforcement thereof, are still therefore subject to policy changes.

Further, precedents on the interpretation, implementation and enforcement of the PRC laws and regulations are limited, and court decisions on specific cases in the PRC do not have any binding effect on lower courts as they do in common law jurisdictions.

Any introduction of new laws or amendments to existing laws by the PRC government or legislative authority which is detrimental to the business environment which we operate in may adversely affect our operation and profitability.

### **We may be subject to more stringent environmental laws and regulations in the PRC**

We are required to comply with the environmental laws and regulations in the PRC. If more stringent regulations are implemented in the future, the extra costs of compliance with such new laws and regulations may be substantial. Our profits could be adversely affected if we were unable to pass on such additional costs to our customers.

If we fail to comply with present or future environmental laws and regulations, we may be subject to substantial fines, suspension of production or even the cessation of our operations.

### **Cessation of income tax exemptions or incentives for the PRC companies of our Group will have an adverse impact on our profitability**

Before 1 January 2008, FIEs including wholly foreign-owned enterprises, are subject to PRC state and local income tax rates pursuant to the income tax laws of the PRC for foreign investment enterprises and foreign enterprises (the “Old Tax Laws”). Under the Old Tax Laws, Tianjin FeiSiTe, CWI (Shanghai) and KIWA-CW (Shanghai), being wholly foreign-owned enterprises engaged in production and scheduled to operate for a term of over ten years, are entitled to full exemption from Enterprise Income Tax (“EIT”) for the first two years and a 50% reduction in EIT for the next three years, commencing from the first profitable year (after offsetting all losses carried forward from previous financial years, up to the five preceding years).

Pursuant to the Tax Law, which was adopted by the National People’s Congress of the PRC on 16 March 2007 and which has taken effect on 1 January 2008, the rate of enterprise income tax applicable to all resident enterprises, including FIEs and domestic companies, in the PRC shall be 25%. According to the Tax Law, any enterprise established prior to the promulgation of the Tax Law and enjoys tax incentives, is entitled to continue to enjoy such incentives until the expiration date. In the case where the enterprise is unable to enjoy such incentives due to its unprofitability, the term of the tax incentives shall commence on 1 January 2008.

---

## RISK FACTORS

---

Some of our subsidiaries and our jointly-controlled entity established in the PRC are entitled to tax concessions. For example, the tax rate for Tianjin FeiSiTe is 15% pursuant to the High-Tech Enterprise Certificate, whilst CWI (Shanghai) was subject to corporate income tax at a reduced rate of 12.5% for the three year ended 31 December 2011 and is currently subject to the original tax rate of 25%. KIWA-CW (Shanghai) is subject to corporate income tax at a reduced rate of 12.5% for the three years ending 31 December 2012 and will be subject to the then original tax rate in 2013. Should the PRC tax regulations and tax rates change in the future, our tax expenses, net profit and/or results of operations will be adversely affected.

There is no assurance that we will continue to enjoy the tax incentives when such tax incentives expire. Any removal, loss, suspension or reduction of the above tax benefits or tax relief will have an adverse impact on our Group's profitability.

**Under the Tax Law and the related implementation regulations, which became effective on 1 January 2008, dividends from our subsidiaries in the PRC may be subject to withholding tax or we may be subject to the PRC tax on our worldwide income**

Under the PRC tax laws effective prior to 1 January 2008, dividend payments to foreign investors made by foreign-invested enterprises, such as dividends distributed to our Company from our subsidiaries in the PRC were exempted from the PRC withholding tax. In 2007, the PRC Government adopted the Tax Law and the related implementation regulations, which became effective on 1 January 2008. Under such income tax law and its implementation regulations, all domestic companies are subject to a uniform enterprise income tax at the rate of 25% and dividends from the PRC companies to their foreign shareholders are subject to a withholding tax generally at a rate of 10%, unless it is entitled to reduction or exemptions of such tax under tax treaties. In addition, under the Tax Law, enterprises organised under the laws of jurisdictions outside China with their "de facto management bodies" located within China may be considered as the PRC resident enterprises and therefore be subject to the PRC enterprise income tax at the rate of 25% on their worldwide income. Dividends from the PRC companies to their foreign shareholders which are also qualified as the PRC tax residents are exempted from tax. Under the implementation regulations of the Tax Law, "de facto management bodies" are defined as the bodies that have material and overall management and control over the production, business, personnel, accounts and properties of the enterprise. Given that we intend to develop the PRC market, there are no assurances that in future a majority of the members of our management team will be located in the PRC which may mean that they will be treated as PRC tax residents for enterprise income tax purposes. The tax consequences in respect of such treatment are currently unclear, as they will depend on how tax authorities apply or enforce the Tax Law or its implementation regulations.

Under the Tax Law and its implementation regulations, a PRC withholding tax at the rate of 10% is applicable to dividends payable to investors that are "non-resident enterprises" (and that do not have an establishment or place of business in the PRC, or that have such establishment or place of business but the relevant income is not effectively connected with such establishment or place of business) to the extent such dividends have their source within the PRC unless there is an applicable tax treaty between the PRC and the jurisdiction in which an overseas holder resides which reduces or exempts the relevant tax. Similarly, any gain realized on the transfer of shares by such investors is



---

## RISK FACTORS

---

subject to a 10% PRC income tax if such gain is regarded as income derived from sources within the PRC. Since it is uncertain whether our Company will be considered a PRC “resident enterprise” in future, dividends payable to our foreign investors with respect to our Shares, or the gain our foreign investors may realise from the transfer of our Shares, may be treated as income derived from sources within the PRC and be subject to the PRC tax. If we are required under the Tax Law to withhold the PRC tax on dividends payable to our foreign Shareholders, or if you are required to pay the PRC tax on the transfer of your Shares, the value of your investment in our Shares may be materially and adversely affected.

### **We may be affected by the rules on mergers and acquisitions of domestic enterprise by foreign investors**

On 8 August 2006, the MOFCOM, CSRC, SAFE and three other PRC governmental authorities promulgated the M&A Rules, which came into effect on 8 September 2006 and revised on 22 June 2009. Foreign investors should comply with the M&A Rules when they acquire shareholding equities of a domestic non-foreign-funded enterprise or subscribe to the increased registered capital of a domestic enterprise, and thus changing the nature of the domestic enterprise into a foreign investment enterprise; or when the foreign investors establish a foreign investment enterprise (“FIE”) in the PRC and acquire the asset of a domestic enterprise through sale and purchase agreement and operate the asset, or purchase the asset of a domestic enterprise and establish a FIE by use of the asset and operate the asset. The M&A Rules stipulate, inter alia, (i) that the acquisition of a PRC enterprise by affiliated foreign enterprises established or controlled by PRC entities or individuals must be approved by MOFCOM (the “MOFCOM Approval”); (ii) that the incorporation of a special purpose vehicle (the “SPV”), which is directly or indirectly controlled by PRC entities or individuals for the purpose of overseas listing, must be subject to the MOFCOM Approval; (iii) that the acquisition of a PRC non-foreign-funded enterprise by SPV shall be subject to the MOFCOM Approval; and (iv) the offshore listing of SPV shall be subject to the prior approval from CSRC (the “CSRC Approval”).

Our PRC legal advisers are of the opinion that the three subsidiaries of the Company in the PRC, namely CWI (Shanghai), KIWA-CW (Shanghai) and Tianjin FeiSiTe were directly established as foreign-invested enterprises held under the respective subsidiaries of Company that were established outside the PRC prior to the effective date of the M&A Rules, the M&A Rules are not applicable. With respect to SD Trading (Shanghai) which changed to a foreign-invested enterprise after the M&A Rules has come into effect, according to our PRC legal advisers, as the acquisition of SD Trading (Shanghai) by our Group had been approved by the Shanghai government in July 2007, and the acquisition does not fall within the above-mentioned situations (i) to (iv), our Group is not required to obtain the MOFCOM Approval and/or CSRC Approval as stipulated by the M&A Rules. For more information in relation to M&A Rules, please refer to paragraph headed “Mergers and Acquisitions” under section headed “Regulatory Overview”. However, there is no assurance that the relevant PRC authorities would not have any ruling or interpretation different from the opinion of our PRC legal advisers on the M&A Rules, in which case we may be required to obtain additional government approvals or be subject to other consequences. In addition, there are also uncertainties as to how the M&A Rules will be interpreted and implemented by the relevant PRC authorities in future.

---

## RISK FACTORS

---

### RISKS RELATING TO THE GLOBAL OFFERING

**There is no prior public market for the Shares and the liquidity and market price of the Shares may be volatile**

Prior to the Global Offering there was no public market for the Shares. The initial public offering price range per Share as stated in this prospectus was the result of negotiations between our Company and the Sole Bookrunner (acting for itself and on behalf of the Underwriters). The Offer Price may differ significantly from the market price for the Shares following the Global Offering.

Our Company has made an application to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Shares on the Stock Exchange. However, there is no guarantee that an active and liquid trading market for the Shares will develop, or if it does develop, will be sustained following the Global Offering or that the market price of the Shares will not decline following the Global Offering.

Furthermore, the price and trading volume of the Shares may be volatile and may be affected by the following factors:

- actual or anticipated fluctuations in the results of operations of our Group;
- news regarding recruitment or loss of key personnel by our Group or our competitors;
- announcements of competitive developments, acquisitions or strategic alliances in our industry;
- changes in earnings, estimates or recommendations by financial analysts;
- potential litigation or regulatory investigations;
- general economic, market or regulatory conditions or other developments affecting our Group or the industry;
- the operating and stock price performance of other companies, other industries and other events or factors beyond our Group's control; and
- release of lock-up or other transfer restrictions on our Shareholders.

The securities markets have from time to time experienced significant price and volume fluctuations that are not related to the operating performance of particular companies. These market fluctuations may also materially adversely affect the market price of the Shares.

---

## **RISK FACTORS**

---

### **Our Shareholders' interest may be diluted as a result of future equity fund raising**

Our Group may require additional funds in the future to finance its business development. In the event that these additional funds are raised via the issuance of new equity or equity-linked securities other than on a pro rata basis to existing shareholders, the percentage ownership of the individual shareholders may decline and they may experience a dilution of their interests in our Company.

### **RISK RELATING TO STATEMENTS MADE IN THIS PROSPECTUS**

#### **Certain facts and statistics included in this prospectus may not be reliable**

Certain information and statistics contained in the section headed "Industry Overview" in this prospectus are derived from various industry reports and other third party and publicly available sources. Our Company believes that the sources of this information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. Our Company has no reason to believe that such information is false or misleading or that any fact has been materially omitted that would render such false or misleading. The information has not been independently verified by our Company, the Sole Sponsor, the Sole Global Coordinator, the Underwriters or any other party involved in the Global Offering and no representation is given as to its accuracy. Prospective investors should not place undue reliance on any of such information contained in this prospectus.

#### **Forward looking statements may be inaccurate**

The information in this prospectus contains certain forward-looking statements and information relating to our Group that are based on the belief of our Directors as well as assumptions based on the information currently available to them. In this prospectus, the words "believe", "consider", "expect", "estimate" and similar expressions, as they relate to our Company or our Group or our Directors, are intended to, among others, identify forward-looking statements. Such statements reflect the current views of our Directors with respect to, among others, future events and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this prospectus. Should one or more of these risks or uncertainties materialize, or should underlying assumptions be proved to be incorrect, our Group's financial condition may be adversely affected and may vary materially from those described herein as believed, considered, estimated or expected.

---

## WAIVERS AND EXEMPTION FROM STRICT COMPLIANCE WITH THE LISTING RULES AND THE COMPANIES ORDINANCE

---

In preparation for the Listing, we have sought the following waivers and exemption from strict compliance with the relevant provisions of the Listing Rules and the Companies Ordinance:

### **Management presence in Hong Kong**

Rule 8.12 of the Listing Rules provides that an issuer must have sufficient management presence in Hong Kong, which normally means that at least two of its executive directors must be ordinarily resident in Hong Kong. Currently, all businesses and operations of our Group are substantively located, managed and conducted in the PRC and Singapore. Our Company does not and, in the foreseeable future will not, have management presence in Hong Kong. All of our executive Directors are residing in Singapore. Therefore, for the purpose of our Group's operations, our Directors consider that it is not necessary for our Group to appoint any Director who is ordinarily resident in Hong Kong to our Board in order to supervise and/or manage our Group's operations in Hong Kong.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules. We have adopted the following arrangements in order to maintain regular and effective communications with the Stock Exchange:

- (a) we have appointed two authorized representatives pursuant to Rule 3.05 of the Listing Rules who will act as our Group's principal channel of communication with the Stock Exchange. The two authorized representatives are Mr. William Wong (an executive Director) and Dr. Leung Wai Cheung (the company secretary of our Company) who is ordinarily resident in Hong Kong. Each of them has confirmed that he will be able to meet with the Stock Exchange within a reasonable time frame upon request of the Stock Exchange, if required. They will be readily contactable by telephone, facsimile and email, and are authorized to communicate on behalf of our Group with the Stock Exchange;
- (b) each of the authorized representatives has means to contact all Directors promptly at all times as and when the Stock Exchange wishes to contact our Directors for any matter;
- (c) each Director who is not ordinarily resident in Hong Kong has confirmed that he possesses or can apply for a valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period;
- (d) our Company also intends to appoint Guotai Junan Capital Limited as our compliance adviser in accordance with Rule 3A.19 of the Listing Rules to act as the alternate channel of communication with the Stock Exchange; and
- (e) each Director will provide his mobile phone number, office phone number, email address and facsimile number to the Stock Exchange.

---

## WAIVERS AND EXEMPTION FROM STRICT COMPLIANCE WITH THE LISTING RULES AND THE COMPANIES ORDINANCE

---

### **Waiver in relation to the Accountants' Report**

Pursuant to Rule 4.04(1) of the Listing Rules, our Company is required to include in its prospectus an accountants' report covering the combined results of our Group in respect of each of the three financial years immediately preceding the issue of the prospectus.

According to section 342(1) of the Companies Ordinance, our Company is required to include in the prospectus an accountants' report which contains the matters specified in the Third Schedule to the Companies Ordinance.

According to paragraph 27 of the Third Schedule to the Companies Ordinance, our Company is required to include in the prospectus a statement as to its gross trading income or sales turnover (as may be appropriate) of our Company during each of the three financial years immediately preceding the issue of the prospectus.

According to paragraph 31 of the Third Schedule to the Companies Ordinance, our Company is required to include in the prospectus a report by auditors of our Company with respect to the financial results of our Group for each of the three financial years immediately preceding the issue of the prospectus. Pursuant to section 342A(1) of the Companies Ordinance, the SFC may issue, subject to such conditions (if any) as the SFC thinks fit, a certificate of exemption from compliance with any or all of the requirements of section 342(1) of the Companies Ordinance if, having regard to the circumstances, the SFC considers that the exemption will not prejudice the interest of the investing public and compliance with any or all of those requirements would be irrelevant or unduly burdensome, or is otherwise unnecessary or inappropriate.

The Accountants' Report for each of the three years ended 31 December 2008, 2009 and 2010 and the nine months ended 30 September 2011 has been prepared and is set out in Appendix I to this prospectus.

An application has been made to the SFC for a certificate of exemption from strict compliance with paragraphs 27 and 31 of the Third Schedule to the Companies Ordinance in relation to the inclusion of the accountants' report for the full year ended 31 December 2011 in this prospectus on the ground that it would be unduly burdensome for our Group to do so within a short period of time after 31 December 2011. A certificate of exemption has been granted by the SFC under section 342A of the Companies Ordinance. Such exemption is granted on the conditions that (i) particulars of exemption be set forth in this prospectus; and (ii) this prospectus will be issued on 16 March 2012.

An application has also been made to the Stock Exchange for a waiver from strict compliance with Rule 4.04(1) of the Listing Rules, and such waiver has been granted by the Stock Exchange on the condition that:

- (i) the Shares of our Company will be listed on the Stock Exchange by 31 March 2012;
- (ii) our Company will have obtained a certificate of exemption from the SFC from similar requirements under paragraphs 27 and 31 of the Third Schedule to the Companies Ordinance; and

---

## WAIVERS AND EXEMPTION FROM STRICT COMPLIANCE WITH THE LISTING RULES AND THE COMPANIES ORDINANCE

---

- (iii) if the prospectus is to be issued on or before 29 February 2012, our Company will comply with the conditions including: (a) inclusion of a profit estimate for the year ended 31 December 2011 which complies with Rules 11.17 to 11.19 of the Listing Rules in this prospectus; and (b) inclusion in this prospectus a statement made by our Directors in this prospectus that there has been no material adverse change to the financial and trading positions or prospect of our Group with specific reference to the trading results from 30 September 2011 to 31 December 2011; or

if this prospectus is to be issued in March 2012, our Company agrees to comply with the conditions including the inclusion in the prospectus the financial information for the year ended 31 December 2011 and a commentary on the results for the year, and that the financial information to be included in the prospectus would (a) follow the same content requirements as for a preliminary results announcements under Rule 13.49 of the Listing Rules; and (b) be agreed with the reporting accountants of the Company following the procedures to be performed under Practice Note 730 “Guidance for Auditors Regarding Preliminary Announcements of Annual Results” issued by the Hong Kong Institute of Certified Public Accountants.

Our Directors have confirmed that (i) they have performed sufficient due diligence on our Group to ensure that up to the date of issue of the prospectus, there has been no material adverse change in our Group’s financial and trading positions or prospect since 30 September 2011 and there is no event since 30 September 2011 which would materially affect the information shown in the Accountants’ Report; (ii) they do not contemplate any change to the share capital structure of our Company and that of each of its subsidiaries immediately following the Listing; and (iii) they are of the view that all information that is reasonably necessary for potential public investors to make an informed assessment of the activities or financial position of our Group has already been included in this prospectus and that a waiver from strict compliance with the requirements under Rule 4.04(1) of the Listing Rules, Section 342(1) of the Companies Ordinance as well as paragraphs 27 and 31 of the Third Schedule of the Companies Ordinance would not prejudice the interests of the public investors.

### **Waiver in relation to publication of annual results**

Pursuant to Rule 13.49(1) of the Listing Rules, an issuer is required to publish its annual results within the time prescribed in the Listing Rules.

Our Company has included in this prospectus the unaudited financial information in respect of the year ended 31 December 2011, and our Company is not in breach of the Articles or laws and regulations of the Cayman Islands or other regulatory requirements regarding its obligation to publish annual results announcements. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rule 13.49(1) of the Listing Rules in respect of the results announcement for the year ended 31 December 2011 on the conditions that:–

- (i) our Company has included in this prospectus the unaudited financial information for the year ended 31 December 2011; and
- (ii) our Company is not in breach of its Articles or laws and regulations of the Cayman Islands or other regulatory requirements regarding its obligation to publish preliminary results announcements.

---

## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

---

### **DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS**

This prospectus includes particulars given in compliance with the Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the laws of Hong Kong) and the Listing Rules for the purpose of giving information to the public with regard to our Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief:

- (a) the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive;
- (b) there are no other matters the omission of which would make any statement herein or this prospectus misleading; and
- (c) all opinions expressed in this prospectus have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

### **UNDERWRITING**

The Global Offering comprises the International Offering and the Hong Kong Public Offering. The Global Offering is an offer by the Company of 16,300,000 new Shares under the Hong Kong Public Offering (subject to re-allocation) and 146,200,000 Shares (comprising 133,700,000 new Shares to be offered by the Company and 12,500,000 Sale Shares to be offered by the Selling Shareholders) under the International Offering (subject to re-allocation and the Over-allotment Option) in each case at the Offer Price. Details of the structure of the Global Offering are set out in the section headed "Structure of the Global Offering" in this prospectus. This prospectus and the Application Forms relating thereto set out the terms and conditions of the Global Offering.

The Listing is sponsored by the Sole Sponsor. Pursuant to the Hong Kong Underwriting Agreement, the Hong Kong Public Offering is underwritten by the Hong Kong Underwriters. The International Offering is managed by the Sole Global Coordinator and is underwritten by the International Underwriters. The International Underwriting Agreement is expected to be entered into on or about the Price Determination Date, subject to agreement on the Offer Price between our Company (for ourselves and on behalf of all the Selling Shareholders) and the Sole Global Coordinator, acting for itself and on behalf of the other Underwriters. If, for any reason, the Offer Price is not agreed between our Company (for ourselves and on behalf of all the Selling Shareholders) and the Sole Global Coordinator (for itself and on behalf of the Underwriters), the Global Offering will not proceed. Please refer to the paragraph headed "Underwriting arrangements and expenses" in the section headed "Underwriting" in this prospectus for further detail.

### **HONG KONG OFFER SHARES TO BE OFFERED IN HONG KONG ONLY**

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to confirm, or be deemed by his acquisition of Hong Kong Offer Shares to confirm, that he is aware of the restrictions on offers and sales of the Hong Kong Offer Shares described in this prospectus.



---

## INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

---

No action has been taken in any jurisdiction other than Hong Kong to permit the public offer of the Offer Shares or the distribution of this prospectus and/or the related Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any circumstances in which such offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation.

The Offer Shares are offered for subscription solely on the basis of the information contained and representations made in this prospectus. No person is authorized in connection with the Global Offering to give any information, or to make any representation, not contained in this prospectus, and any information or representation not contained in this prospectus must not be relied upon as having been authorized by our Company, the Underwriters, and any of their respective directors or any other person or parties involved in the Global Offering.

### RESTRICTIONS ON SALE OF SHARES

#### United States

The Offer Shares have not been and will not be registered under the United States Securities Act of 1933, as amended (the “Securities Act”) and, subject to certain exceptions, may not be offered or sold within the United States or to, or for the account or benefit of, U.S. Persons (as defined in Regulation S under the Securities Act (“Regulation S”)).

The Offer Shares are being offered and sold outside the United States in reliance on Regulation S.

In addition, until 40 days after the first date upon which the Offer Shares were bona fide offered to the public, an offer of the Offer Shares within the United States by a dealer may violate the registration requirements of the Securities Act.

The Offer Shares have not been approved or disapproved by the United States Securities and Exchange Commission, any state securities commission in the United States or any other United States regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the Global Offering or the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offence in the United States.

#### United Kingdom

This prospectus is only addressed to and directed at, and the International Offering will only be addressed to and directed at, persons in member states of the European Economic Area who are (i) a “qualified investor” within the meaning of Article 2(1)(e) of the Directive 2003/71/EC (“Prospectus Directive”) (“Qualified Investor”); and (ii) an “eligible counterparty” within the meaning of Article 24(2), (3) and (4) of the Directive 2004/39/EC (“MiFID”) as MiFID is implemented into national law of the relevant European Economic Area state (“Eligible Counterparty”).



---

## INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

---

In addition, in the United Kingdom this prospectus is being distributed only to, and is directed only at Qualified Investors who (i) have professional experience in matters relating to investments falling within Article 19(5) of the United Kingdom Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 as amended (the “Order”) and (ii) are Eligible Counterparties within the meaning given in COBS 3.6.1 of the FSA Handbook as at 1 November 2007 (such persons together being referred to as “Relevant Persons”).

This prospectus has not been approved by an authorized person. Any investment to which this prospectus relates is available only to (and any investment activity to which it related will be engaged only with) the Relevant Persons. This prospectus is directed only at the Relevant Persons and persons who are not the Relevant Persons should not take any action based upon this prospectus and should not rely on it. It is a condition of the person receiving this document that such person is a Relevant Person.

### **European Economic Area**

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each a “Relevant Member State”), no Offer Shares have been offered or will be offered to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Offer Shares which has been approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive except that an offer of Offer Shares may be made to the public in that Relevant Member State at any time under the following exemptions under the Prospective Directive, if they are implemented in that Relevant Member State:

- (a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;
- (b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than EUR43,000,000; and (3) an annual net turnover of more than EUR50,000,000, as shown in its last annual or consolidated accounts;
- (c) by the managers to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the sole lead manager for any such offer;
- (d) in any other circumstances which do not require the publication by us of a prospectus pursuant to Article 3(2) of the Prospectus Directive;

in each case, provided that no such offer of Shares shall result in a requirement for the publication of a prospectus pursuant to Article 3 of the Prospectus Directive or any measure implementing the Prospectus Directive in a Relevant Member State and each person who initially acquires any Offer

---

## INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

---

Shares or to whom any offer is made under the Global Offering will be deemed to have represented, acknowledged and agreed that it is a “qualified investor” within the meaning of Article 2(1)(e) of the Prospectus Directive.

For the purposes of this provision, the expression of “offer to the public” in relation to any Offer Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Offer Shares to be offered so as to enable an investor to decide to purchase or subscribe for the Offer Shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the “Prospectus Directive” includes any relevant implementing measure in each Relevant Member State.

### **Singapore**

This prospectus has not been, and will not be, lodged with or registered as a prospectus by the Monetary Authority of Singapore in Singapore. Accordingly, this prospectus and any other documents or materials in connection with the offer of the Offer Shares may not be issued, circulated or distributed in Singapore nor may any of the Offer Shares be offered for subscription or purchase or made the subject of an invitation or offer for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) an institutional investor under Section 274 of the Securities and Futures Act, (ii) to a relevant person (as defined in Section 275(2) of the Securities and Futures Act), or any person pursuant to Section 275(1A) of the Securities and Futures Act, and in accordance with the conditions of, any other applicable provisions of the Securities and Futures Act.

Where the Offer Shares are subscribed or purchased under Section 275 of the Securities and Futures Act by a relevant person, including a person which is:

- (a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trustee of a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor.

that shares, debentures and units of shares and debentures of that corporation or the beneficiaries’ rights and interest in that trust shall not be transferable for six months after that corporation or that trust has acquired the Offer Shares under Section 275 of the Securities and Futures Act except:

- (1) to an institutional investor under Section 274 of the Securities and Futures Act, or to a relevant person, or to any person pursuant to an offer that is made on terms that such rights or interest are acquired at a consideration of not less than S\$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets; or

---

## INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

---

- (2) where no consideration is given for the transfer; or
- (3) by operation of law.

Furthermore, no advertisement may be made offering or calling attention to an offer or intended offer of the Offer Shares.

### **Japan**

The Offer Shares have not been and will not be registered under the Financial Instruments of Exchange Law of Japan (the “FIEL”) and will not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan, except pursuant to any exemption from the registration requirements of, and otherwise in compliance with, the FIEL and any other applicable laws, regulations and ministerial guidelines of Japan.

### **PRC**

This prospectus does not constitute a public offer of the Offer Shares, whether by way of sale or subscription, in the PRC. The Offer Shares are not being offered and may not be offered or sold directly or indirectly in the PRC to, or for the benefit of, legal or natural persons of the PRC, except pursuant to applicable laws and regulations of the PRC. For the purpose of this paragraph, PRC does not include Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan.

### **Cayman Islands**

The Offer Shares will not be offered or sold, directly or indirectly, to the public in the Cayman Islands.

### **APPLICATION FOR LISTING ON THE STOCK EXCHANGE**

Our Company has applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue, Shares to be issued as mentioned in this prospectus, and any Shares which may fall to be allotted and issued upon the exercise of options which may be granted under the Share Option Scheme.

No part of our Company’s share or loan capital is listed or dealt in on any other stock exchange. At present, we are not seeking or proposing to seek the listing of, or permission to deal in, our share and loan capital on any other stock exchange.

---

## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

---

### **STAMP DUTY**

All Offer Shares will be registered on our branch register of members maintained in Hong Kong. Only Shares registered in our branch register of members maintained in Hong Kong may be traded on the Stock Exchange. Dealings in Shares registered in our branch register of members maintained in Hong Kong will be subject to Hong Kong stamp duty.

### **PROFESSIONAL TAX ADVICE RECOMMENDED**

If you are unsure about the taxation implications of subscribing for, or purchasing, holding or disposing of, or dealing in or exercise of any rights in relation to the Offer Shares, you should consult an expert.

None of the Company, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, the Underwriters, their respective directors, agents or advisers and every other person involved in the Global Offering accepts responsibility for any tax effects on, or liability of, any person or holders of Shares resulting from subscribing for, purchasing, holding or disposing of, or dealing in or exercise of any rights in relation to the Offer Shares.

### **PROCEDURES FOR APPLICATION FOR THE HONG KONG OFFER SHARES**

The procedures for application for the Hong Kong Offer Shares are set out in the section headed “How to apply for the Hong Kong Offer Shares” in this prospectus and on the relevant Application Forms.

### **STRUCTURE OF THE GLOBAL OFFERING**

Details of the structure of the Global Offering, including conditions of the Global Offering, are set out in the section headed “Structure of the Global Offering” in this prospectus.

### **SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS**

Subject to the Stock Exchange granting the listing of, and permission to deal in, the Shares on the Stock Exchange and our Company’s compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or such other date HKSCC chooses. Investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangements as such arrangements will affect their rights, interest and liabilities.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second trading day after the date on which the relevant securities transactions are effected on the Stock Exchange.

---

## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

---

All necessary arrangements have been made for the Shares to be admitted to CCASS.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

### **COMMENCEMENT OF DEALINGS IN THE SHARES**

Dealings in the Shares on the Stock Exchange are expected to commence on 29 March 2012.

The Shares will be traded in board lots of 2,000 Shares each.

---

## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

---

### DIRECTORS

| Name   | Address  | Nationality |
|--|--|-------------|
| <i>Executive Directors</i>                             |  |             |
| Mr. William Wong (黃觀立)<br>(Chairman and CEO)           | 33 Tanglin Road #05-05<br>Singapore 247913   | Singaporean |
| Mr. Lim Chwee Heng (林水興) (COO)                         | Blk 209 Pasir Ris<br>Street 21 #06-338<br>Singapore 510209                                 | Singaporean |
| Mr. Sam Wong (黃文力)                                     | No. 113, Room 102<br>Lane 500 Wan Ting Road<br>Min Hang District<br>Shanghai<br>PRC 201100 | Singaporean |
| <i>Independent non-executive Directors</i>             |  |             |
| Mr. Kuan Cheng Tuck (關正德)                              | 33 Mangis Road #03-09<br>Singapore 424968  | Malaysian   |
| Mr. Ong Su Aun, Jeffrey<br>(Wang Ci'An, Jeffrey) (王賜安) | 33 Club Street<br>#11-18<br>Singapore 069415   | Singaporean |
| Mr. Chan Hon Chung Johnny (陳漢聰)                        | Flat H, 18/F, Tower 3<br>Caribbean Coast<br>Tung Chung, New Territories<br>Hong Kong       | Chinese     |

---

## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

---

### PARTIES INVOLVED

**Sole Sponsor**

Guotai Junan Capital Limited  
27th Floor, Low Block  
Grand Millennium Plaza  
181 Queen's Road Central  
Hong Kong

**Sole Global Coordinator, Sole Bookrunner  
and Sole Lead Manager**

Guotai Junan Securities (Hong Kong) Limited  
27th Floor, Low Block  
Grand Millennium Plaza  
181 Queen's Road Central  
Hong Kong

**Legal advisers to the Sole Sponsor,  
the Sole Global Coordinator,  
the Sole Bookrunner and  
the Sole Lead Manager**

*as to Hong Kong law:*  
F. Zimmern & Co.  
Suites 1501-1503, 15th Floor  
Gloucester Tower, The Landmark  
15 Queen's Road Central  
Central  
Hong Kong

*as to PRC law:*  
Deheng Law (Offices) Shenzhen  
11/F, Section B  
Anlian Plaza  
No. 4018, Jintian Road  
Futian District  
Shenzhen  
Guangdong Province  
PRC

**Legal advisers to our Company**

*as to Hong Kong law:*  
Li & Partners  
22nd Floor  
World Wide House  
Central  
Hong Kong

*as to PRC law:*  
Hills & Co.  
11th Floor, Central Tower  
No. 88, Fu Hua 1st Road  
Fu Tian Central Business District  
Shenzhen  
Guangdong Province  
PRC

---

## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

---

*as to Singapore law:*

RHTLaw Taylor Wessing LLP  
6 Battery Road #10-01  
Singapore 049909

*as to Malaysian law:*

The Law Office of KK Chong & Company  
Suite 1213, 12th Floor, Plaza Permata  
No. 6, Jalan Kampar  
50400 Kuala Lumpur  
Malaysia

*as to Cayman Islands law:*

Appleby  
2206-19 Jardine House  
1 Connaught Place  
Central  
Hong Kong

**Auditors and reporting accountants**

Ernst & Young  
*Certified Public Accountants*  
22nd Floor  
CITIC Tower  
1 Tim Mei Avenue, Central  
Hong Kong

**Property valuer**

DTZ Debenham Tie Leung Limited  
16th Floor  
Jardine House  
1 Connaught Place Central  
Hong Kong

**Receiving banker**

Standard Chartered Bank (Hong Kong) Limited  
15th Floor  
Standard Chartered Tower  
388 Kwun Tong Road  
Kowloon  
Hong Kong



---

## CORPORATE INFORMATION

---

|   |   |
|---|---|
| <b>Registered office</b>  | Appleby Trust (Cayman) Ltd.<br>Clifton House<br>75 Fort Street<br>P.O. Box 1350<br>Grand Cayman<br>KY1-1108<br>Cayman Islands   |
| <b>Head office and principal place of business in Singapore</b> | 50 Kallang Avenue<br>#05-01/02<br>Singapore 339505  |
| <b>Principal place of business in Hong Kong</b>                 | 2201-2203, 22nd Floor<br>World Wide House<br>Central<br>Hong Kong   |
| <b>Company's website</b>  | www.cwgroup-int.com<br>(information contained in this website does not form part of this prospectus)  |
| <b>Company secretary</b>  | Dr. Leung Wai Cheung <i>CPA</i>   |
| <b>Authorized representatives</b>                               | Mr. William Wong<br>33 Tanglin Road #05-05<br>Singapore 247913<br><br>Dr. Leung Wai Cheung<br>Room A, 25 Floor, Block One<br>Central Park<br>18 Hoi Ting Road<br>Kowloon<br>Hong Kong |
| <b>Members of the audit committee</b>                           | Mr. Kuan Cheng Tuck ( <i>Chairman</i> )<br>Mr. Ong Su Aun, Jeffrey<br>Mr. Chan Hon Chung Johnny   |
| <b>Members of the remuneration committee</b>                    | Mr. Chan Hon Chung Johnny ( <i>Chairman</i> )<br>Mr. Ong Su Aun, Jeffrey<br>Mr. William Wong  |
| <b>Members of the nomination committee</b>                      | Mr. Ong Su Aun, Jeffrey ( <i>Chairman</i> )<br>Mr. Kuan Cheng Tuck<br>Mr. William Wong  |

---

## CORPORATE INFORMATION

---

|   |  |
|---|--|
| <b>Compliance adviser</b>                                       | Guotai Junan Capital Limited<br>27th Floor, Low Block<br>Grand Millennium Plaza<br>181 Queen's Road Central<br>Hong Kong   |
| <b>Principal share registrar<br/>and transfer office</b>        | Appleby Trust (Cayman) Ltd.<br>Clifton House<br>75 Fort Street<br>P.O. Box 1350<br>Grand Cayman<br>KY1-1108<br>Cayman Islands  |
| <b>Hong Kong branch share registrar<br/>and transfer office</b> | Tricor Investor Services Limited<br>26/F., Tesbury Centre<br>28 Queen's Road East<br>Wanchai<br>Hong Kong  |
| <b>Principal bankers</b>  | United Overseas Bank Limited<br>80 Raffles Place<br>UOB Plaza<br>Singapore 048624<br><br>DBS Bank Ltd<br>6 Shenton Way #32-02<br>DBS Building Tower One<br>Singapore 068809<br><br>The Hongkong and Shanghai Banking<br>Corporation Limited<br>21 Collyer Quay<br>#14-01 HSBC Building<br>Singapore 049320 |

---

## INDUSTRY OVERVIEW

---

*The information and statistics set forth in this section are mostly extracted from the Global and China Machine Tool Industry Report issued by ResearchInChina (Beijing Waterwood), an independent market research company, in October 2010 which was subsequently updated in September 2011. Having considered the background of ResearchInChina (Beijing Waterwood), we believe that the ResearchInChina (Beijing Waterwood) report is an appropriate source of information.*

*We believe that these sources are appropriate for deriving such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading. The information has not been independently verified by us, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, the Underwriters, their respective directors or advisers or any other party involved in the Global Offering and no representation is given as to its accuracy.*

### **RESEARCHINCHINA (BEIJING WATERWOOD)**

We commissioned ResearchInChina (Beijing Waterwood), an independent organization that provides PRC business intelligence and information, to prepare a report for a total fee of US\$3,000. ResearchInChina (Beijing Waterwood) is owned by Beijing Waterwood Technologies Company Limited. The report is not a tailor-made commissioned report but rather a general report on the global and China machine tool industry for 2009-2010 and 2010-2011. The reports were dated August and September 2011, respectively.

In preparing the report, ResearchInChina's (Beijing Waterwood) primary research and analysis was derived from quantitative and qualitative data from the National Bureau Statistics (NBS), The Centre for Economic Analysis and Forecasting (CEAF), China National Technical Import & Export Corporation, a growing number of Chinese trade and industry associations, independent expert authors, access to key industry players together with database and library resources. This includes information extracted by ResearchInChina (Beijing Waterwood) from Gardner Publications Incorporation. Gardner Publications Incorporation is based in Cincinnati, Ohio, United States of America. Gardner Publications Incorporation is principally engaged in the business of publishing magazines in the manufacturing sector in the United States of America. Modern Machine Shop (ISSN 0026ps) is their flagship publication which was first published in 1928. Our Group have not commissioned Gardner Publications Incorporation to prepare any or part of this report prepared by ResearchInChina (Beijing Waterwood).

## **1. INTRODUCTION TO MACHINE TOOL INDUSTRY**

### **1.1 Definition & Classification**

A machine tool is a powered mechanical device, typically used to fabricate metal components of machines by machining, which is the selective removal of metal.

According to the statistical classification standards of the machine tool industry, machine tools can be divided into metal cutting machine tools, metal forming machine tools, and tool & machine tool accessories, of which the former two are generally called metal working machine tools.

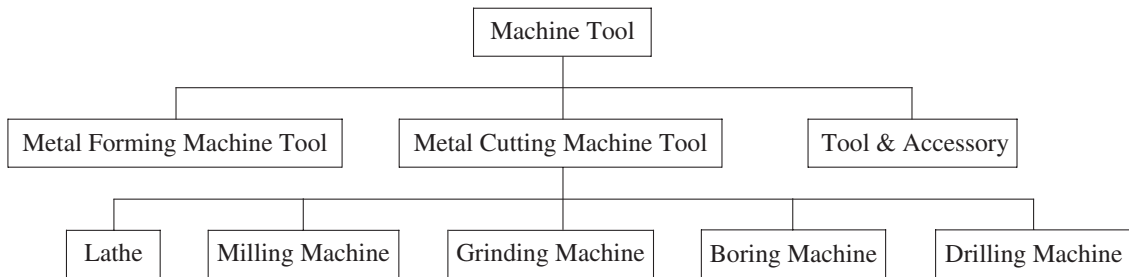
---

## INDUSTRY OVERVIEW

---

Metal cutting machine tools mainly includes lathes, milling machines, grinding machines, boring machines and drilling machines as well as the CNC machines of the machine tools above-mentioned.

### Classification of Machine Tools



*Source: ResearchInChina (Beijing Waterwood)*

### 1.2 Position in the PRC National Economy

The machine tool industry is the production tool of equipment manufacturing. So, the development level of the machine tool industry directly determines the technology level of a country in equipment manufacturing, thus further influencing the overall industrial competitiveness and comprehensive strength of the country. In spite of accounting for less than 1% of the Gross Domestic Product, the output value of the machine tool industry makes a great contribution to the national economy and it is an indispensable pillar industry in economic development.

### Demand for Equipment Manufacturing for Machine Tools

| Equipment Manufacturing | Machine Tools Needed   |
|-------------------------|--|
| Iron & Steel            | CNC boring and milling machines, Big-module hobbing machines, Heavy CNC vertical lathes  |
| Automotive              | Machining centres, Combined machine tools, CNC & special purpose machines  |
| Petrochemical           | Five-axis linkage milling machines, CNC floor-type milling & boring machines, CNC plano milling and boring machines, vertical CNC lathes   |
| Shipping                | CNC plano milling and boring machines, floor-type milling & boring machines, crankshaft turning & Milling centres, CNC lathes, CNC equipment, different kinds of machining centres |

---

## INDUSTRY OVERVIEW

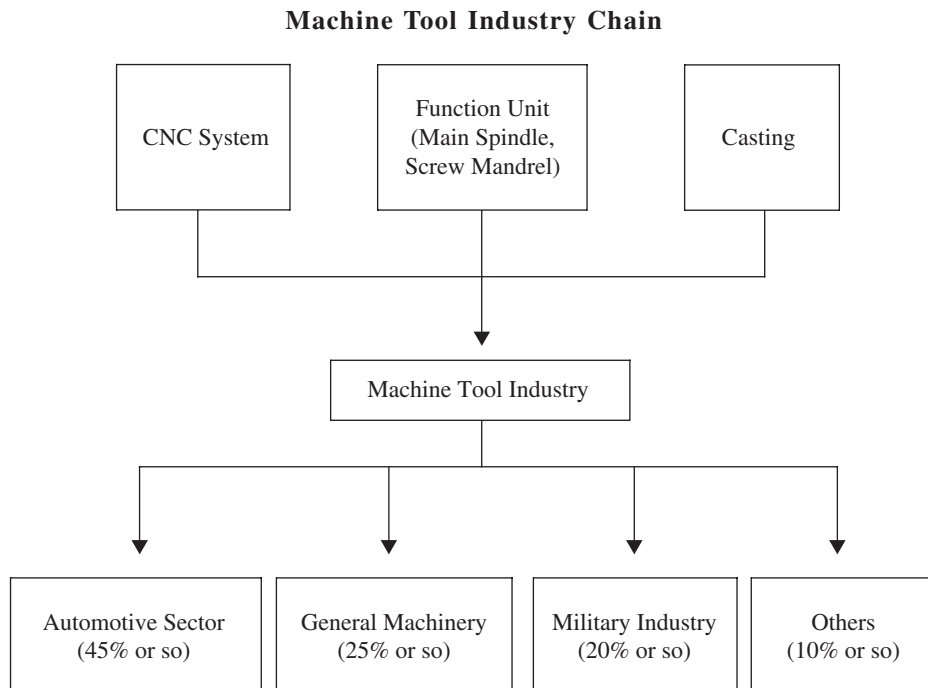
---

|                                      |   |
|--------------------------------------|---|
| Light Industry                       | multi-axis machining centres, CNC equipment, general metal cutting machine tool   |
| Textile Industry                     | Machining centres, CNC metal cutting machine tools  |
| Nonferrous Metals                    | heavy-duty CNC machine tools, vertical CNC lathes, CNC boring and milling machines  |
| Electronic Information               | Small precision top-grade machine tools with high-speed   |
| National Defense & Military Industry | High-speed CNC plano milling machines, precision engineering and manufacturing development, precision turning centres and all kinds of machining centres, multi-axis linkage high-efficient CNC machine tools |

*Source: ResearchInChina (Beijing Waterwood)*

### 1.3 Industry Chain

The principal upstream of the machine tool industry are iron and steel castings, CNC systems, and function units (milling head, main spindle, screw mandrel, etc), wherein, castings, CNC systems and function unit account for 17.8%, 7.5% and 17.2% respectively of operating cost. The downstream of machine tool industry mainly refers to the automotive sector, machinery industry, and military industry (aviation & spaceflight, shipbuilding, weaponry, nuclear industry, etc), the three of which occupy approximately 45%, 25% and 20% respectively of total demand.



*Source: ResearchInChina (Beijing Waterwood)*

---

## INDUSTRY OVERVIEW

---

### 2. DEVELOPMENT OF GLOBAL MACHINE TOOL INDUSTRY

#### 2.1 Development

Since the 21st century, the global machine tool industry (because of the different way statistics are made in the PRC as compared to the rest of the world, global machine tools here specially refers to metal processing machine tools) has entered a rapid growth period driven by downstream demands, and created a record high in industrial output, expenditure, import/export value in 2008. The global machine tool industry was heavily hit by financial crisis during 2009 and witnessed a decline in gross industrial output value, expenditure, and import/export value. In 2010, the global machine tool industry rebounded and achieved a rapid recovery. The total industrial output value grew 21.1% year on year (“year-to-year”), the consumption rose 12.6% year-to-year, and the imports increased 17.1% year-to-year.

#### Main Indicators of Global Machine Tools (Metal Processing Machine Tools), 2009-2010

| Key Index                     | 2010               | 2009               | year-to-year<br>Growth |
|-------------------------------|--------------------|--------------------|------------------------|
|                               | (US\$ in Millions) | (US\$ in Millions) |                        |
| Gross Industrial Output Value | 66,248.1           | 54,711.7           | 21.1%                  |
| Expenditure                   | 610.5              | 542.0              | 12.6%                  |
| Export Value                  | 276.6              | 275.1              | 0.5%                   |
| Import Value                  | 262.2              | 224.0              | 17.1%                  |

Source: Gardner Publications, Inc, China Machine Tool and Tool Builders' Association

##### 2.1.1 Production

Because demand dramatically decreased due to global economic downturn in 2009, the key machine tool producing countries had to reduce their production, resulting in a sharp decrease in output value. However, the PRC was an exception. With machine tool output value up 7.6% from 2008, the PRC overran Germany and Japan for the first time to become number one in the world.

In 2010, the global machine tool manufacturing industry emerged from recession on the whole and the output value of the world's 28 major machine tool producing countries and regions grew 21.1% to US\$66.25 billion from US\$54.71 billion in 2009, of which the PRC continued to rank first, with its annual output value up 36.6% year-to-year to US\$20.9 billion; after its worst recession of 55% in 2009, Japan experienced sweeping recovery in its machine tool manufacturing industry and remained the second largest

---

## INDUSTRY OVERVIEW

---

producer; Germany continued its decline in output value, down 9.7% and ranked third in the world. The US still suffered a sharp decline in the output value of machine tools and dropped to eighth place, following Italy, South Korea, Taiwan and Switzerland.

### Output Value of Global Machine Tools (by Country/Region), 2008-2010 (US\$ in Millions)

|    | Country     | 2010     | 2009     | 2008     |
|----|-------------|----------|----------|----------|
| 1  | China       | 20,900.0 | 15,300.0 | 14,220.0 |
| 2  | Japan       | 11,841.7 | 7,007.0  | 15,566.5 |
| 3  | Germany     | 9,749.9  | 10,800.1 | 15,680.2 |
| 4  | Italy       | 5,166.4  | 5,242.2  | 7,831.3  |
| 5  | Korea       | 4,498.0  | 2,758.0  | 4,372.0  |
| 6  | Taiwan      | 3,803.3  | 2,266.4  | 4,807.1  |
| 7  | Switzerland | 2,185.4  | 2,164.5  | 4,013.4  |
| 8  | US          | 2,026.2  | 2,218.9  | 3,938.5  |
| 9  | Austria     | 908.9    | 897.4    | 1,227.3  |
| 10 | Spain       | 812.0    | 1,035.9  | 1,544.8  |

*Source: Gardner Publications, Inc, China Machine Tool and Tool Builders' Association*

*Note:* the data for 2010 are estimated by Gardner Publications, Inc, and the data for 2009 are revised in 2010. The data for the PRC shall be subject to the statistics from China Machine Tool and Tool Builders' Association.

#### *2.1.2 Consumption*

In 2010, countries including the PRC, South Korea and India recovered first from the financial crisis, with significant growth in consumption of machine tools, of which the PRC grew 43.9% year-to-year to US\$28.48 billion; South Korea rose 59.2% year-to-year to US\$4.26 billion; India increased 44.4% year-to-year to US\$1.74 billion; since Taiwan strengthened its cooperation with mainland PRC, its annual sales of machine tools reached US\$1.51 billion, up 73.5% year-to-year.

---

## INDUSTRY OVERVIEW

---

In contrast, the US, once the world's largest consumer of machine tools, dropped to the third place in 2009 and to the sixth place in 2010, with consumption being 2/5 of US\$6.77 billion in 2000 which saw the highest figure. While Germany maintained steady development, with its consumption ranking second both in 2009 and 2010.

### Consumption and year-to-year Growth Rate of Global Machine Tools (by Country/Region), 2010 (US\$ in Millions)

|    | Country | 2010       | 2009     | year-to-year<br>Growth |
|----|---------|------------|----------|------------------------|
| 1  | China   | 28,480.0   | 19,790.0 | 43.9%                  |
| 2  | Germany | 5,033.9    | 5,798.4  | -13.2%                 |
| 3  | Japan   | 4,445.3    | 3,239.5  | 37.2%                  |
| 4  | Korea   | 4,264.0    | 2,679.0  | 59.2%                  |
| 5  | Italy   | 2,768.7    | 2,799.1  | -1.1%                  |
| 6  | US      | 2,752.3    | 3,245.6  | -15.2%                 |
| 7  | India   | 1,740.0    | 1,205.0  | 44.4%                  |
| 8  | Taiwan  | 1,505.5    | 867.5    | 73.5%                  |
| 9  | Brazil  | 1,488.3(u) | 1,488.3  | 0.0%                   |
| 10 | Russia  | 1,243.0    | 1,189.0  | 4.5%                   |

*Source: Gardner Publications, Inc, China Machine Tool and Tool Builders' Association*

*Note:* the data for 2010 are estimated by Gardner Publications, Inc, and the data for 2009 are revised in 2010. The data for the PRC shall be subject to the statistics from China Machine Tool and Tool Builders' Association.

### 2.1.3 Import & Export

#### 2.1.3.1 Import

In 2010, the sharp drop of global machine tools stopped and imports realized recovery growth, with annual import value amounting to US\$262 million, up 17.1% year-to-year. And the imports in the PRC, Taiwan, South Korea and India witnessed robust growth, which stimulated an increase in imports of global machine tools. In the same year, the imports in the US declined slightly, but it was still the second largest importer of machine tools following the PRC.



---

## INDUSTRY OVERVIEW

---

### Import Value of Global Machine Tools (by Country/Region), 2008-2010 (US\$ in Millions)

| Country    | 2010       | 2009     | 2008    |
|------------|------------|----------|---------|
| 1. China   | 9,420.0    | 5,900.0  | 7,587.4 |
| 2. US      | 2,106.5    | 2,261.9  | 4,874.0 |
| 3. Germany | 1,907.6    | 2,245.7  | 4,337.1 |
| 4. Korea   | 1,444.0    | 1,133.0  | 1,334.0 |
| 5. India   | 1,250.0    | 939.0    | 1,573.2 |
| 6. Russia  | 1,069.1(u) | 1,022.7  | 989.5   |
| 7. Mexico  | 916.4(u)   | 916.4(u) | 1,422.9 |
| 8. Italy   | 900.8      | 892.7    | 2,151.0 |
| 9. Brazil  | 897.2(u)   | 897.2(c) | 1,454.7 |
| 10. Taiwan | 697.3      | 340.9    | 1,531.3 |

*Source: Gardner Publications, Inc, China Machine Tool and Tool Builders' Association*

*Note:* the data for 2010 are estimated by Gardner Publications, Inc, and the data for 2009 are revised in 2010. The data for the PRC shall be subject to the statistics from China Machine Tool and Tool Builders' Association.

#### 2.1.3.2 Export

In 2010, exports of German machine tools fell slightly, while that of Japanese machine tools surged 85.8%, so Japan became the world's first largest exporter of machine tools, followed by Germany and Italy whose exports of machine tools accounted for 66% of their total output. As Belgium conducted a large quantity of re-export trades, that is, the imported machine tools would be exported to other regions, its imports were much higher than its consumption.

In 2010, the export value of PRC machine tools grew 31.3% to US\$1.85 billion, ranking sixth in the world. However, the figure only accounted for 8.9% of the output value, much lower than that of other major machine tool manufacturing countries and regions, which could be attributed to the two following points. Firstly, the orders of PRC enterprises were filled. Secondly, the PRC did not make adequate efforts to expand into international market of machine tools in different channels.

---

## INDUSTRY OVERVIEW

---

### Export Value of Global Machine Tools (by Country/Region), 2008-2010 (US\$ in Millions)

| Country        | 2010    | 2009    | 2008     |
|----------------|---------|---------|----------|
| 1. Japan       | 7,832.7 | 4,215.9 | 8,516.8  |
| 2. Germany     | 6,623.6 | 7,247.3 | 10,261.8 |
| 3. Italy       | 3,298.5 | 3,335.8 | 4,691.2  |
| 4. Taiwan      | 2,995.1 | 1,739.9 | 3,700.6  |
| 5. Switzerland | 1,821.1 | 1,832.0 | 3,333.9  |
| 6. China       | 1,850.0 | 1,410.0 | 2,160.0  |
| 7. Korea       | 1,678.0 | 1,212.0 | 1,910.0  |
| 8. US          | 1,380.4 | 1,235.2 | 1,892.8  |
| 9. Austria     | 726.6   | 657.4   | 1,025.2  |
| 10. Spain      | 601.4   | 767.6   | 1,077.0  |

*Source: Gardner Publications, Inc, China Machine Tool and Tool Builders' Association*

*Note:* the data for 2010 are estimated by Gardner Publications, Inc, and the data for 2009 are revised in 2010. The data for the PRC shall be subject to the statistics from China Machine Tool and Tool Builders' Association.

### 3. DEVELOPMENT OF THE PRC MACHINE TOOL INDUSTRY

#### 3.1 Development of Machine Tool Industry

##### 3.1.1 Industry Operation

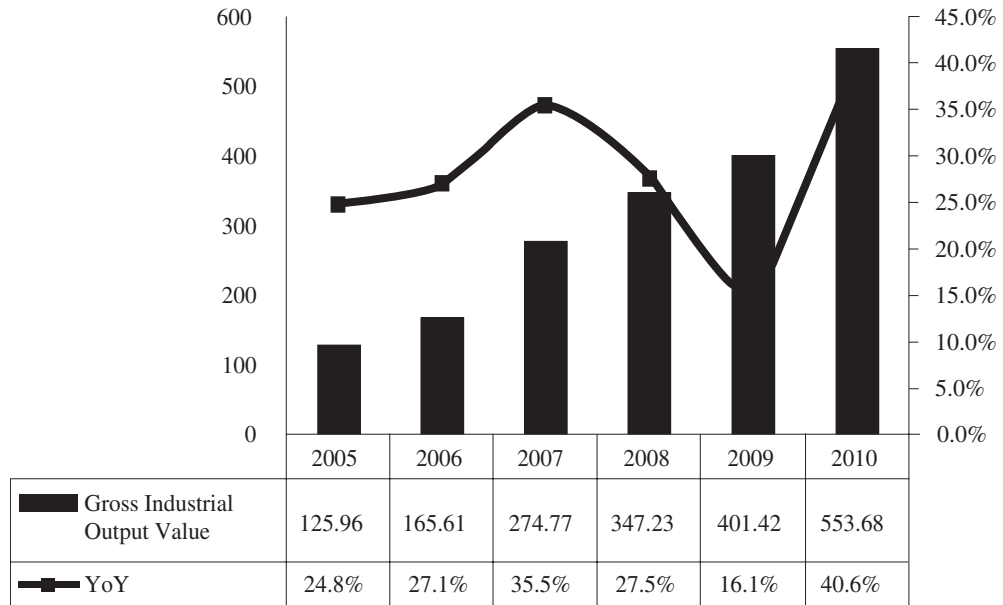
Since 2000, the PRC's machine tool industry has developed rapidly, with expanding output value and consumer market as well as improving global industry status. Since 2001, the PRC's machine tool consumption has created records repeatedly, and the total consumption of machine tools in the PRC market has ranked first in the world for nine straight years, making the PRC a major consumer of machine tools in the world.

In 2008, the PRC's machine tool industry experienced a huge impact from the global financial crisis, but its output, sales and profit maintained growth momentum. In 2009, Germany and Japan, the top two manufacturers of machine tools in the world, suffered heavy losses, with output falling by over 30%. In the same year, like the PRC's economy, PRC's machine tool industry performed well, and achieved output value of RMB401.4 billion, an increase of 16.1%, making the PRC exceed Japan to become the country with the world's largest machine tool output value.

## INDUSTRY OVERVIEW

In 2010, the PRC's machine tool industry continued this trend: the industry achieved total industrial output value of RMB553.68 billion; industrial sales output value of RMB543.44 billion; total profit of RMB31.05 billion; and export value of US\$7.035 billion. Today, the PRC has become the largest consumer, importer and manufacturer of machine tools.

**Total Industrial Output Value and Growth Rate of PRC's  
Machine Tool Industry, 2005-2011 (Unit: RMB bn)**



*Source: China Machine Tool & Tool Builders' Association; ResearchInChina (Beijing Waterwood)*

Since 2011, the National Bureau of Statistics of China adjusted the definition of above-scale enterprise from one with annual sales over RMB5 million to RMB20 million, and changed the scope of statistics. Therefore, the number of enterprises in the machine tool industry was 4,322 in the first 6 months of 2011, a decrease of more than 2,000 compared with the end of 2010. According to the new statistical standards, in the first 6 months of 2011, the PRC's machine tool industry completed total industrial output value of RMB300.02 billion, up 36.4% year on year; sales output value of RMB291.29 billion, up 36.4% year on year. Of which, the total industrial output value of metal cutting machine tool industry was RMB71.2 billion, up 30.4% year on year; the total industrial output value of forming machine tool industry was RMB26.92 billion, an increase of 40.1% year on year.

---

## INDUSTRY OVERVIEW

---

### 3.1.2 Import & Export

#### 1. The Structure of Imported Machine Tool Takes Change; Proportion of High-Grade and Heavy-Duty Machine Tool Decreases

Alongside with the full recovery of the PRC economy, the demand for various products in domestic machine tool market has seen a steep rise. And the structure of imported machine tool experienced significant change compared to that in 2009. In 2010, the import volume of middle-grade machine tools with highly competitive price edge multiplied while that of high-grade and heavy-duty computer numerical control machine tools decreased in proportion.

The increase in import volume of middle-grade computer numerical control machine tool balances out the average import price of computer numerical control machine tool. As a result, the average unit price of imported machine tool was far lower than that in 2009, or even slightly short of that in 2008.

#### 2. Emerging Market and Asia Become Major Importers of Homemade Machine Tools

Affected by global economic crisis, the PRC's metal working machine tools exports to India, Brazil, and Russia declined sharply in 2009. Entering 2010, "BRIC" markets rebounded first. PRC's exports value of metal working machine tools to India surpassed pre-financial crisis level, reaching US\$140 million, or 7.6% of total export value, falling behind the US. And the export value to Brazil and Russia grew by 80% or more.

In addition, the ASEAN market remains positive, especially Myanmar. In recent years, the PRC's export of numerical control machine tool to Myanmar saw a rapid rise, with the export value increasing more than six times in 2009 when the global market was bleak. In 2010, the PRC's export of numerical control machine tools to Myanmar doubled on the basis of 2010, with the average export price over 4 times comparing to that of numerical control machine tool.

---

## INDUSTRY OVERVIEW

---

### 4. SUB-SECTORS

#### 4.1 Overview

The PRC machine tool sub-industry includes metal cutting machines, metal forming machine, tools and accessories. Metal cutting machines and metal forming machines are generally called metal processing machines.

In 2010, the gross industrial output value of metal working machine tools in the PRC realized RMB171.35 billion. In particular, the gross industrial output value of metal cutting machine tools reached RMB130.6 billion, up 34.3% year-to-year; and that of metal forming machine tools hit RMB40.75 billion, up 42.2% year-to-year. In terms of consumption, the metal working machine tools of the PRC in 2010 experienced rapid growth, with the annual sales increased by 43.9% year-to-year. In particular, the export value increased by 31.3% year-to-year.

#### 4.2 Metal Cutting Machine Tools

##### 4.2.1 Industry Scale

##### Major Economic Indicators of Metal Cutting Machine Tool Industry in the PRC, 2008-2010 (RMB billion)

|      | Industrial Sales<br>Output Value | Sales  | Total Profit |
|------|----------------------------------|--------|--------------|
| 2008 | 78.20                            | 78.32  | 4.30         |
| 2009 | 87.05                            | 86.78  | 4.52         |
| 2010 | 110.88                           | 109.89 | 6.77         |

Source: National Bureau of Statistics of China; ResearchInChina (Beijing Waterwood)

##### 4.2.2 Output

Impacted by the bleak economy and decreased downstream demand, the PRC's output of metal cutting machine tools decreased by 13.6% year-to-year to 580,300 sets, among which, included 143,900 sets of numerical control metal cutting machine tools. With the fast-growing development of the national economy in 2010, the PRC's output of metal cutting machine tools rose by 33.1% year-to-year to 755,800 sets, among which, it included 223,900 sets of numerical control metal cutting machine tools, up 66.7% year-to-year.

During the period from January to July 2011, the machine tool industry of the PRC sustained stable growth, with the output of metal cutting machine tools increased by 24.2% year-to-year to 502,100 sets and the output of numerical control metal cutting machine tools rose by 33.1% year-to-year to 152,100 sets.

---

## INDUSTRY OVERVIEW

---

### Output and CNC Rate of Metal Cutting Machine Tools in the PRC, 2007-2011

|                   | Output of<br>Metal Cutting<br>Machine Tools<br>(thousand sets) | Output of<br>Numerical<br>Control<br>Machine Tools<br>(thousand sets) | Numerical<br>Control Rate<br>by Output |
|-------------------|--|---|--|
| 2007              | 606.8  | 123.3   | 20.3%                                  |
| 2008              | 671.6  | 144.6   | 21.5%                                  |
| 2009              | 580.3  | 143.9   | 24.8%                                  |
| 2010              | 755.8  | 223.9   | 29.6%                                  |
| January-July 2011 | 502.1  | 152.1   | 30.3%                                  |

*Source: National Bureau of Statistics of China; China Machine Tool and Tool Builders' Association, ResearchInChina (Beijing Waterwood)*

### 4.3 Metal Forming Machine Tools

#### 4.3.1 Industry Scale

#### Main Economic Indicators of the PRC Metal Forming Machine Tools Industry, 2008-2010 (RMB billion)

|      | Industrial Sales<br>Output Value | Sales<br>Revenue | Total Profit |
|------|----------------------------------|------------------|--------------|
| 2008 | 28.18                            | 27.22            | 1.45         |
| 2009 | 26.58                            | 25.78            | 1.03         |
| 2010 | 36.49                            | 35.19            | 2.22         |

*Source: National Bureau of Statistics of China; ResearchInChina (Beijing Waterwood)*

*Note:* Main economic indicators were calculated based on the financial data of the enterprises with the annual sales revenue of over RMB5 million

---

## INDUSTRY OVERVIEW

---

### 4.3.2 Output

The metal forming machine tools sector is a segment of the machine tools industry. Compared with metal cutting machine tools, the metal forming machine tool sector develops slower, but it has seen higher growth rate in recent years, especially after 2007, the demand for metal forming machine tools and CNC metal forming machine tools in the PRC has been increasing, which accelerated the development of this sector. Even under the influence of the financial crisis in 2009, the output of metal forming machine tools and CNC metal forming machine tools still grew at 6.1% and 16.8% respectively.

In 2010, driven by the rapid recovery in the downstream, the PRC metal forming machine tools sector continued to grow. Throughout the year, the output increased by 18.0% year on year to 261,488, including 12,207 CNC machine tools (up 8.1% year on year).

In the first seven months of 2011, the output of metal forming machine tools in the PRC was 8,933, including 8,933 CNC metal forming machine tools, beyond the level in 2008.

In CNC, the PRC metal forming machine tools and metal cutting machine tools differed a lot. In 2010, the CNC rate of the former was 4.7%, while the CNC rate of the latter was 29.6%. It shows that the PRC metal forming machine tools sector will have huge development space in the future.

#### Output and CNC Rate of Metal Forming Machine Tools in the PRC, 2008-2011

|                   | Output of<br>Metal Forming<br>Machine Tools<br><i>per 1,000</i> | Output of CNC<br>Metal Forming<br>Machine Tools<br><i>per 1,000</i> | CNC Rate |
|-------------------|---|---|----------|
| 2008              | 206.3   | 7.98  | 3.9%     |
| 2009              | 218.9   | 9.32  | 4.3%     |
| 2010              | 261.5   | 12.21   | 4.7%     |
| January-July 2011 | 141.7   | 8.93  | 6.3%     |

Source: National Bureau of Statistics of China; China Machine Tool and Tool Builders' Association, ResearchInChina (Beijing Waterwood)

---

## INDUSTRY OVERVIEW

---

### 5. IMPORT & EXPORT OF THE PRC MACHINE TOOLS INDUSTRY

#### 5.1 Overview

##### 5.1.1 Export

In 2010, the global machine tools market recovered gradually, and the PRC's machine tools export saw growth again. In the beginning of the year, the PRC's machine tool export value grew by 12.6% year on year instead of the negative growth in 2009. In H1, the export value soared; in H2, it was at a high level.

In 2010, the export value of the PRC machine tool products was US\$7.035 billion, up 48.35% year on year, of which the export value of metal processing machine tools was US\$1.853 billion, up 31.26% year on year.

#### Export Value and year-to-year Growth Rate of PRC Machine Tools, 2010

|                                   | Value<br>(US\$ million) | year-to-year<br>Growth<br>Rate (%) |
|-----------------------------------|-------------------------|------------------------------------|
| Machine Tools                     | 7,035                   | 48.35                              |
| Metal Working Machine Tools       | 1,853                   | 31.26                              |
| Metal Cutting Machine Tools       | 1,284                   | 34.51                              |
| Metal Forming Machine Tools       | 569                     | 24.48                              |
| Casting Machine Tools             | 74                      | 29.11                              |
| Woodworking Machine Tools         | 666                     | 34.68                              |
| Machine Tool Jigs And Accessories | 164                     | 42.57                              |
| Machine Tool Parts                | 515                     | 29.55                              |
| CNC Devices                       | 493                     | 35.32                              |
| Cutting Tools                     | 1,605                   | 50.82                              |
| Measuring Tools                   | 135                     | 66.16                              |
| Abrasives                         | 1,530                   | 102.33                             |

Source: China Machine Tool and Tool Builders' Association, ResearchInChina (Beijing Waterwood)

In Q1 2011, the PRC machine tools growth remained stable. The export value reached US\$1.83 billion, up 32.7% year on year, reaching the peak in the past years. Especially, the export value of metal processing machine tools grew by 20.9% year on year, while the export value of CNC metal processing machine tools grew by 31.4% year on year.

##### 5.1.2 Import

In 2010, the machine tools imported by the PRC valued US\$16 billion, including the ordinary machine tools valued US\$9 billion and the CNC machine tools valued US\$8 billion.



---

## INDUSTRY OVERVIEW

---

There were three reasons for the import growth. Firstly the PRC, issued a policy to encourage the import trade of advanced technology and equipment, which further promoted the import of high-end machine tools. Secondly, SMEs that were affected by the global financial crisis experienced surging demand. Thirdly, the RMB's appreciation made imported products more competitively priced; the base was low in the last year.

### Import Value and year-to-year Growth Rate of the PRC Machine Tools, 2010

|                                   | Value<br>(US\$ million) | year-to-year<br>Growth<br>Rate (%) |
|-----------------------------------|-------------------------|------------------------------------|
| Machine Tools                     | 15,715                  | 61.96                              |
| Metal Working Machine Tools       | 9,424                   | 59.82                              |
| Metal Cutting Machine Tools       | 7,518                   | 64.92                              |
| Metal Forming Machine Tools       | 1,906                   | 42.44                              |
| Casting Machine Tools             | 225                     | 23.88                              |
| Woodworking Machine Tools         | 82                      | 147.02                             |
| Machine Tool Jigs and Accessories | 582                     | 79.08                              |
| Machine Tool Parts                | 1,043                   | 61.45                              |
| CNC Devices                       | 1,812                   | 32.49                              |
| Cutting Tools                     | 1,150                   | 121.65                             |
| Measuring Tools                   | 143                     | 27.99                              |
| Abrasives                         | 517                     | 59.4                               |

Source: China Machine Tool and Tool Builders' Association, ResearchInChina (Beijing Waterwood)

In Q1 2011, the PRC's machine tool imports grew significantly, up 61.9% year on year, setting a record. Particularly, the import of metal cutting machine tools, metal forming machine tools and CNC machine tool equipment grew by 71.5%, 73.4% and 58.0% year on year respectively.

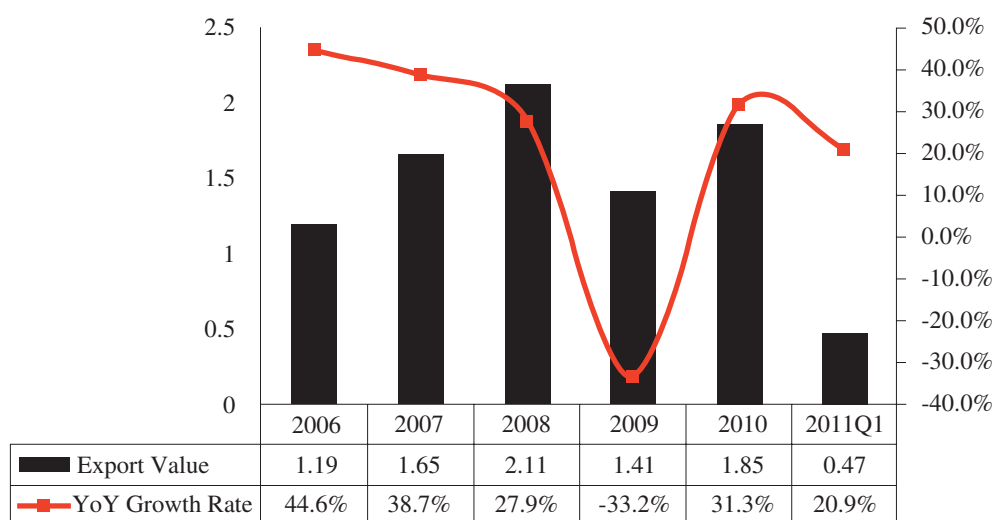
## 5.2 Metal Working Machine Tools

### 5.2.1 Export

In the recent years, along with the improvement of the PRC's independent R&D ability, export value of machine tools increased gradually. It increased to US\$2.11 billion in 2008 from US\$1.19 billion in 2006. Influenced by global financial crisis, the PRC's metal working machine exports decreased significantly in 2009. In 2010, the global demand for the downstream machine tools perked up, stimulating an increase in exports; the annual exports of the PRC's metal processing machine tools reached US\$1.85 billion, up 31.3% year-to-year, which slowed down in Q1 2011 with US\$470 million, up 20.9% year-to-year.

## INDUSTRY OVERVIEW

### Export Value and year-to-year Growth Rate of the PRC Metal Working Machine Tools, 2006-2011 (Unit: US\$ billion)



Source: General Administration of Customs of China, ResearchInChina (Beijing Waterwood)

In terms of sub-product, in 2010, the exports of metal cutting machine tools reached US\$1.28 billion, up 34.5% year-to-year, 69 percentage points higher than the same period last year; the exports of metal forming machine tools reached US\$570 million, up 24.5% year-to-year.

In terms of the export market, as emerging economies in Asia took the lead to overcome the financial crisis earlier than Europe and the United States, the PRC's exports of metal processing machine tools to India surpassed the United States firstly in the first 6 months of 2010, thus India became the biggest export market for the PRC machine tools. In the last 6 months, with the gradually improved U.S. economy, the PRC's exports there perked up, and remained in first place in the export market with a very slight advantage at the end of 2010.

Meanwhile, PRC's exports to India, Brazil, Japan, Russia and major ASEAN countries in the ranking increased generally, with a markedly improved situation, e.g., Brazil and Japan ascended to the third and fourth places from the sixth and seventh of the last year respectively, with an apparent rise in proportion.

## INDUSTRY OVERVIEW

### Export Market Top 10 of Metal Working Machine Tool in the PRC, 2010

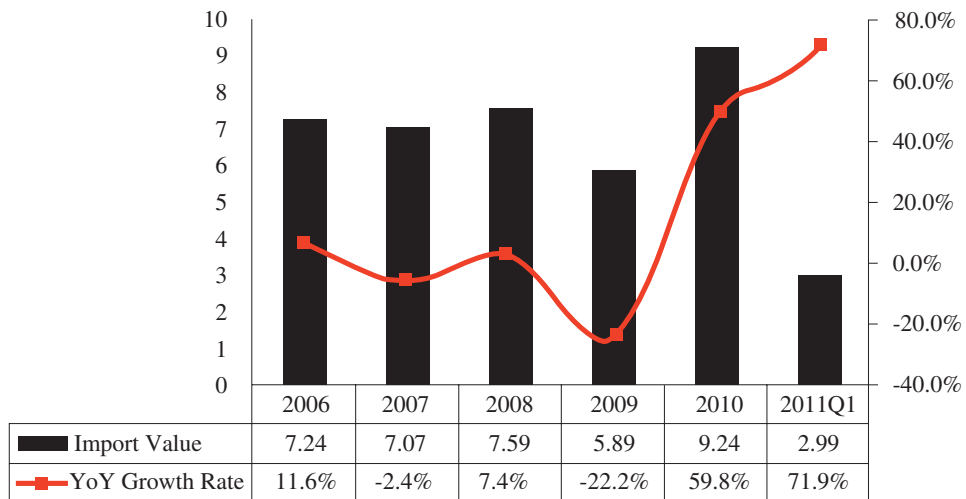
| Serial No. | Country or Region | Amount<br>(US\$'000) | year-to-year<br>(%) |
|------------|-------------------|----------------------|---------------------|
| 1          | U.S.              | 142,810              | 9.66                |
| 2          | India             | 137,691              | 56.47               |
| 3          | Brazil            | 107,951              | 83.87               |
| 4          | Japan             | 100,102              | 106.35              |
| 5          | Germany           | 83,049               | 24.10               |
| 6          | Myanmar           | 78,337               | 89.34               |
| 7          | Vietnam           | 64,974               | 2.31                |
| 8          | Russia            | 60,697               | 83.55               |
| 9          | Indonesia         | 58,287               | 49.00               |
| 10         | Thailand          | 56,300               | 58.5                |

Source: General Administration of Customs of China, ResearchInChina (Beijing Waterwood)

#### 5.2.2 Import

Impacted by the financial crisis, the import value of metal processing machine tools of U.S., Germany, etc. dropped sharply in 2009. Likewise, the PRC also experienced a fall of 22%, to US\$5.897 billion; however, its total amount exceeded the sum of the two countries, firmly ranking first in the global machine tool imports. In 2010, as the global economic situation improved and trade demand increased, the import value of the PRC's metal processing machine tools amounted up to US\$9.42 billion, up 59.8% year-to-year, still remaining first worldwide. In the first quarter of 2011, it reached US\$2.99 billion, up 71.9% year-to-year, showing a stable growth.

#### Import Value and year-to-year Growth Rate of PRC Metal Working Machine Tools, 2006-2011 (Unit: US\$ billion)



Source: General Administration of Customs of China, ResearchInChina (Beijing Waterwood)

---

## INDUSTRY OVERVIEW

---

In terms of product, in 2010, the exports of the PRC's metal cutting machine tools reached US\$7.52 billion, up 64.9% year-to-year; US\$1.9 billion for metal forming machine tools, up 42.4% year-to-year.

In terms of source of imports, Japan, Taiwan and Germany have always been important for the PRC's metal processing machine tools. For many years, the Japan-imported machine tools have accounted for over one third of the total imports in the PRC. In 2010, the imports from Japan, Taiwan, South Korea, U.S. and Singapore made a fast recovery. Digital control machine tools imported from Singapore increased significantly, especially in digital control special and vertical processing centres. For European countries like Germany, Italy, etc., the import growth proceeded.

### Imported Metal Working Machine Tool in the PRC, 2010

| Serial No. | Country or Region | Amount<br>(US\$'000) | year-to-year<br>(%) |
|------------|-------------------|----------------------|---------------------|
| 1          | Japan             | 3,570,765            | 123.57              |
| 2          | Germany           | 1,975,457            | 20.55               |
| 3          | Taiwan            | 1,281,670            | 97.48               |
| 4          | South Korea       | 714,399              | 44.77               |
| 5          | Italy             | 494,934              | 12.34               |
| 6          | U.S.              | 372,766              | 65.17               |
| 7          | Switzerland       | 308,260              | 19.17               |
| 8          | Singapore         | 93,083               | 224.68              |
| 9          | Spain             | 79,342               | -3.90               |
| 10         | Austria           | 71,058               | -33.82              |

Source: General Administration of Customs of China, ResearchInChina (Beijing Waterwood)

---

## INDUSTRY OVERVIEW

---

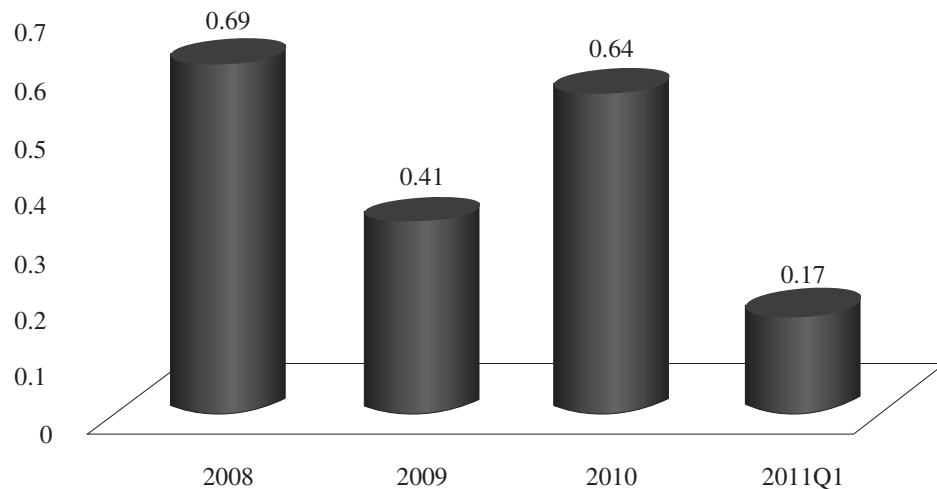
### 5.3 CNC Machine Tool

#### 5.3.1 Digital Control Metal Processing Machine Tools

##### 5.3.1.1 Export

In 2010, the exports of the PRC's digital control metal processing machine tools reached US\$640 million, up 56.1% year-to-year, wherein US\$530 million for digital control metal cutting machine tools, up 60.6% year-to-year; US\$110 million for digital control forming machine tools, up 37.5% year-to-year. In Q1 2011, the export value achieved US\$170 million, up 31.4% year-to-year.

**Export Amount of Digital Control Metal Processing Machine Tools  
in the PRC, 2008-2011 (Unit: US\$ bn)**



Source: General Administration of Customs of China, ResearchInChina (Beijing Waterwood)

In terms of region, Liaoning, Beijing, Guangdong and Jiangsu are major ones for the PRC's digital control machine tool exports, accounting for 56.9% altogether in 2010. Except for the lower average export price of Guangdong, that of the other three regions are far higher than the overall level.

In terms of trade, in 2010, the PRC's export amount of digital control machine tools in general trade reached US\$450 million, up 41.4% year-to-year, slightly declined in the share of the total exports, but still over 70%; that in feeding processing trade was US\$130 million, a year-to-year increase of 135.9%, seven percentage points higher in the total share, exceeding 20%, occupying second place.

---

## INDUSTRY OVERVIEW

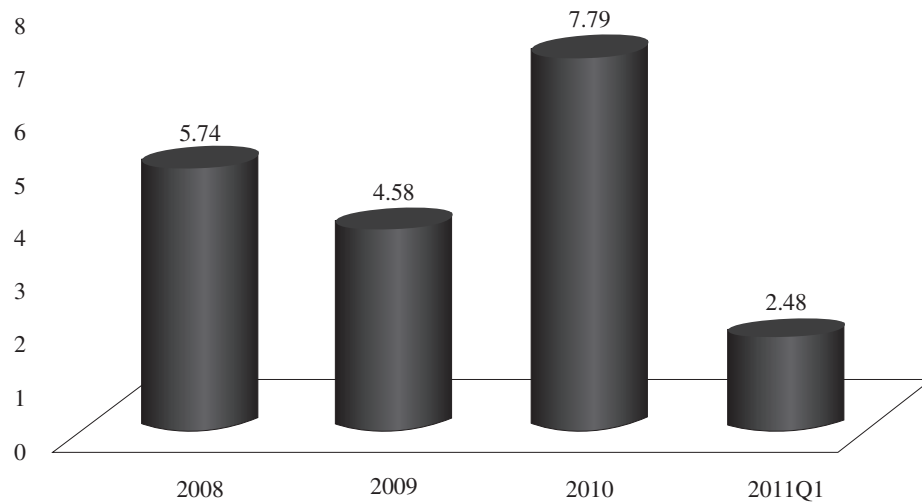
---

In terms of enterprise, in 2010, the PRC's digital control machine tool exports by foreign-owned ones increased significantly, up 120.2% year-to-year, nine percentage points higher in the total share, still ranking second; as that by private and state-owned enterprises decreased in 2009 and increased in 2010 both slightly, 30.1% and 18.1% respectively, ranking first and third.

### 5.3.1.2 Import

In 2010, the PRC's digital control metal processing machine tool exports reached US\$7.79 billion, up 70.0% year-to-year, wherein US\$6.78 billion for digital control metal cutting machine tools, up 75.0% year-to-year; US\$1.01 billion for digital control forming machine tools, up 43.0% year-to-year. In 2011, it increased significantly, up 69.4% only for Q1, reaching US\$2.48 billion.

**Import Amount of Digital Control Metal Processing Machine Tools in the PRC, 2008-2011 (Unit: US\$ bn)**



Source: General Administration of Customs of China, ResearchInChina (Beijing Waterwood)

Jiangsu, Guangdong and Shanghai are major regions for the PRC's digital control metal processing machine tool exports, altogether accounting for 52.7% of the total import value of digital control machines tools. However, their average import price were all not up to the average level, especially that of Guangdong, ranking the lowest in the top ten provinces and municipalities.

In 2010, the digital control metal processing machine tool imports by foreign-owned enterprises rebounded quickly, with the value of US\$3.41 billion, up 113.0% year-to-year, nine percentage points higher than the previous year in the total share by reaching 43.8%, the largest user of imported digital control

---

## INDUSTRY OVERVIEW

---

machine tools; the import value by state-owned enterprises was US\$1.79 billion, up 25.7% year-to-year, ranking second; while joint ventures the third. However, the average import price by foreign-owned ones is over 50% lower than that by both state-owned and joint ventures.

### 5.3.2 Machining Centres

As one of the most advanced digital control machine tool products, processing centres mainly relies on imports; less exports, dominated by low-end ones.

#### 5.3.2.1 Export

In 2010, the PRC's total exports of processing centres reached 1,072 sets, up 68.6% year-to-year; with the export value of US\$62.26 million, up 14.1% year-to-year.

#### Export Volume and Value of PRC Processing Centres, 2008-2010

| Year | Export<br>volume<br>(set) | Export value<br>(US\$ million) | Export unit<br>price<br>(US\$10,000/set) |
|------|---------------------------|--------------------------------|--|
| 2008 | 1,386                     | 98.23                          | 7.09                                     |
| 2009 | 636                       | 54.57                          | 8.58                                     |
| 2010 | 1,072                     | 62.26                          | 5.81                                     |

*Source: General Administration of Customs of China, ResearchInChina (Beijing Waterwood)*

#### 5.3.2.2 Import

In 2010, the import demand of the PRC processing centres surged to 30,637 sets, up 247.8% year-to-year; with the import value of US\$3.41 billion, up 118.7% year-to-year, whereas the import price decreased somewhat to US\$111,200 per set. Its main sources of imports include Japan, Taiwan, Germany, South Korea, etc..

#### Import Volume and Value of the PRC Processing Centres, 2008-2010

| Year | Import<br>volume<br>(set) | Import value<br>(US\$ million) | Import unit<br>price<br>(US\$10,000/set) |
|------|---------------------------|--------------------------------|--|
| 2008 | 13,826                    | 2,087.55                       | 15.10                                    |
| 2009 | 8,820                     | 1,559.36                       | 17.68                                    |
| 2010 | 30,637                    | 3,407.33                       | 11.12                                    |

*Source: General Administration of Customs of China, ResearchInChina (Beijing Waterwood)*

---

## INDUSTRY OVERVIEW

---

### 5.4 Combined Machine Tools

#### 5.4.1 Export

In 2010, the PRC exported combined machine tools 2,672 sets accumulatively, up 48.9% year-on-year; export value rose by 10.8% to US\$10.18 million. In addition, the unit export price was US\$3,810.37 per set, down US\$1, 310.36/set year-to-year.

#### Export Volume and Value of the PRC Combined Machine Tools, 2008-2010

| Year | Export          | Export value<br>(US\$ mln) | Export unit         |
|------|-----------------|----------------------------|---------------------|
|      | volume<br>(set) |                            | price<br>(US\$/set) |
| 2008 | 2,185           | 10.96                      | 5,014.6             |
| 2009 | 1,795           | 9.19                       | 5,120.72            |
| 2010 | 2,672           | 10.18                      | 3,810.37            |

Source: General Administration of Customs of China, ResearchInChina (Beijing Waterwood)

Note: combined machine tools calculated by PRC Customs include multi-station modular machine tools (HS:84573000) and single station modular machine tools (HS:84572000).

#### 5.4.2 Import

In 2010, the PRC imported combined machine tools 581 sets, up 19.6% year-to-year; import value was down 26.3% to US\$167.54 million based on that of previous year. The unit import price was US\$288,400/set, down US\$179,200 per set.

#### Import Volume and Value of the PRC Combined Machine Tools, 2008-2010

| Year | Import          | Import value<br>(US\$ mln) | Import unit         |
|------|-----------------|----------------------------|---------------------|
|      | volume<br>(set) |                            | price<br>(US\$/set) |
| 2008 | 521             | 119.97                     | 230,300             |
| 2009 | 486             | 227.26                     | 467,600             |
| 2010 | 581             | 167.54                     | 288,400             |

Source: General Administration of Customs of China, ResearchInChina (Beijing Waterwood)

Note: combined machine tools calculated by PRC Customs include multi-station modular machine tools (HS:84573000) and single station modular machine tools (HS:84572000).



---

## REGULATORY OVERVIEW

---

Our Group's business and operations are located, managed and conducted in the PRC and Singapore. Our manufacturing facilities are located in the PRC and our offices where principal businesses were carried out are in Singapore. Consequently, we are subject to certain laws and regulations of the PRC and Singapore, which are discussed below:

### SUMMARY OF RELEVANT PRC LAWS AND REGULATIONS

#### **Business**

##### *Metrology Devices Regulations (計量器法規)*

In accordance with the current effective PRC Metrology Law promulgated on 6 September 1985 (as amended on 27 August 2009) and the Implementation Rules of the PRC Metrology Law promulgated on 1 February 1987, an enterprise which is engaged in the manufacture of metrology devices should obtain the Permit for Manufacturing Metrology Devices and if the enterprise is to manufacture the types of metrology devices which it has never manufactured before, the enterprise should, before commencing the manufacture, pass the inspection and examinations of the provincial-level metrology administration authority on the samples of the new types manufactured by the enterprise.

According to the PRC Permit for Manufacturing Metrology Devices dated 25 February 2008 and the PRC Approval Certificate for Metrology Device Specifications dated 1 February 2008 issued by Tianjin City Quality and Technology Supervision Bureau to Tianjin FeiSiTe, Tianjin FeiSiTe has obtained the statutory permit for its manufacturing of the relevant metrology devices and the specifications of the relevant metrology devices have been approved by the relevant authorities.

#### **Production Safety Law**

According to the PRC Production Safety Law effective from 1 November 2002, the production facilities shall be equipped with the conditions for safe production as provided in the Production Safety Law and other relevant laws, administrative regulations national standards and industrial standards. Any entity that is not equipped with the conditions for safe production may not engage in production and business operation activities. The production entity shall offer education and training program to its employees regarding production safety. The design, manufacture, installation, use, checking, maintenance, reform and claim as usefulness of safety equipment shall be in conformity with the national standards or industrial standards. In addition, the production entity shall provide labour protection articles that meet the national standards or industrial standards to its employees, supervise and educate them to wear or use these articles according to the prescribed rules.

Our Directors have confirmed that, during the Track Record Period and up to the Latest Practicable Date, we had complied with all applicable production safety laws and regulations in all material respects.

---

## REGULATORY OVERVIEW

---

### Labour Law

The members of our Group in the PRC are subject to the PRC Labour Law (中華人民共和國勞動法) (the “**PRC Labour Law**”), the PRC Labour Contract Law (中華人民共和國勞動合同法) (the “**Labour Contract Law**”) and the Implementations Regulations of the PRC Labour Contract Law (中華人民共和國勞動合同法實施條例), as well as other related regulations, rules and provisions issued by the relevant governmental authorities from time to time for our Group operations in the PRC.

The Labour Contract Law, which became effective from 1 January 2008, calls for stricter requirements in human resources management in terms of signing labour contracts with employees, stipulating probation and violation penalties, dissolving labour contracts, paying remuneration and economical compensation, as well as social security premiums.

According to the PRC Labour Law and the Labour Contract Law, enterprises must enter into labour contracts if they are to establish labour relationships with the employees. Enterprises must provide wages, which are no lower than the local minimum wage standards, to such employees and are required to establish labour safety and sanitation systems, strictly abide by PRC rules and standards and provide relevant training to the employees. Enterprises must also provide the employees with working conditions that meet PRC rules and standards for safety and sanitation and must regularly examine the health of the employees engaged in hazardous occupations.

Under the PRC Labour Contract Law, the PRC subsidiaries of the Company should enter into written labour contracts with their employees and the labour contracts should cover the main covenants as regulated in the PRC Labour Contract Law, such as the term, salary, working time and place, rest, social insurance, the labour protection measures and conditions, etc. The PRC subsidiaries of the Company should not terminate the labour contracts without the consents of the employees or without a statutory reason as provided in the PRC Labour Contract Law and should pay the compensations to the employees according to the standards stipulated in the PRC Labour Contract Law when terminating the labour contracts pursuant to the PRC Labour Contract Law.

Our Directors have confirmed that, during the Track Record Period and up to the Latest Practicable Date, we complied with all applicable labour and safety laws and regulations, including but not limited to the Labour Contract Law in all material respects.

### Social Insurance Regulations

According to the Social Insurance Law of the PRC (中華人民共和國社會保險法), which was promulgated on 28 October 2010 and came into effect from July 2011, the social insurance includes five kinds of insurance, namely, basic pension insurance, basic medical insurance, worked-related injury insurance, unemployment insurance and maternity insurance, and employers in the PRC shall complete the registration of their social insurance with the competent authorities, and make contributions to the social insurance for their employees.

---

## REGULATORY OVERVIEW

---

According to the Interim Regulations concerning the Levy of Social Insurance (社會保險費征繳暫行條例) effective from 22 January 1999 and the Interim Measures concerning the Administration of the Registration of Social Insurance (社會保險登記管理暫行辦法) effective from 19 March 1999, employers in the PRC shall complete the registration of their social insurance with the competent authorities, and make contributions to the basic pension insurance, basic medical insurance and unemployment insurance for their employees. According to the Regulation on Work-Related Injury Insurance (工傷保險條例) effective from 1 January 2004, employers shall make contribution to the work-related injury insurance for their employees. The Ministry of Labour issued departmental regulations 《企業職工生育保險試行辦法》 (Trial Implementation Regulations of Maternal Insurance for Enterprise Employees) on 14 December 1994 which also stipulate the relevant regulations of maternity insurance.

### Foreign Exchange

On 28 December 1993, the People's Bank of China announced that the dual exchange rate system for RMB against foreign currencies would be abolished with effect from 1 January 1994 and be replaced by the unified exchange rate system. Under the new system, the People's Bank of China publishes the RMB exchange rate against the US\$ daily. The daily exchange rate is set by reference to the RMB/US\$ trading price on the previous day on the "inter-bank foreign exchange market".

On 1 April 1996, the Foreign Exchange Control Regulations of the PRC (as amended on 14 January 1997 and further amended on 1 August 2008) came into effect. On 20 June 1996, the Regulations on Sale and Purchase of and Payment in Foreign Exchange were promulgated by the People's Bank of China and came into effect on 1 July 1996. On 25 October 1998, the People's Bank of China and SAFE issued a Joint Announcement on Abolishment of Foreign Exchange Swap Business which stated that from 1 December 1998, foreign exchange transactions for foreign investment enterprises may only be conducted at designated banks. In addition, some of the swap centres would be abolished, while the others which are already linked up with the China Foreign Exchange Trading Centre (the "CFETC") by the computerized network will be merged with the CFETC and sub-centres to the CFETC.

In summary, the present position under the PRC law relating to foreign exchange control, taking into account the promulgation of the recent new regulations and the extent to which the existing provisions stipulated in previous regulations do not contradict these new regulations, are as follows:

- (a) Since 21 July 2005, the PRC reformed the exchange rate regime by moving into a managed floating rate regime based on market supply and demand with reference to a basket of currencies. RMB will no longer be pegged to the US dollar and the RMB exchange rate regime will be improved with greater flexibility. The People's Bank of China will announce the closing price of a foreign currency such as the US dollar traded against the RMB in the inter-bank foreign exchange market after the closing of the market on each working day, and will make it the central parity for the trading against the RMB on the following working day.

---

## REGULATORY OVERVIEW

---

- (b) On 12 August 2007, SAFE promulgated the SAFE Circular on Self-reserving Income from Current Transaction by PRC Enterprises (《國家外匯管理局關於境內機構自行保留經常項目外匯收入的通知》), pursuant to which the PRC enterprises are allowed to reserve the foreign exchange earnings from current transaction and the banks shall not use the maximum limit to administrate the opening of foreign exchange accounts or the payments of foreign exchange.

According to the prevailing Foreign Exchange Control Regulations of the PRC which was amended on 1 August 2008, PRC enterprises shall be allowed to either repatriate their incomes of foreign exchange to the PRC or deposit such incomes overseas, subject to the terms and conditions implemented by SAFE.

- (c) Foreign investment enterprises may have their own foreign currency account and are permitted to retain their recurrent foreign exchange earnings.
- (d) Foreign investment enterprises which require foreign exchange for their ordinary trading activities such as trade services and payment of interest on foreign debts may purchase foreign exchange from designated foreign exchange banks if the application is supported by proper payment notices or supporting documents.
- (e) Foreign investment enterprises may require foreign exchange for the payment of dividends that are payable in foreign currencies under applicable regulations, such as distributing profits to their foreign investors. They can withdraw funds in their foreign exchange bank accounts kept with designated foreign exchange banks, subject to the due payment of tax on such dividends. Where the amount of the funds in foreign exchange is insufficient, the enterprise may, upon the presentation of the resolutions of our Directors on the profit distribution plan of the particular enterprise, purchase foreign exchange from designated foreign exchange banks.
- (f) Foreign investment enterprises may apply to the Bank of China or other designated foreign exchange banks to remit the profits out of the PRC to the foreign parties to equity or cooperative joint ventures or the foreign investors in wholly foreign-owned enterprises if the requirements provided by the PRC laws, rules and regulations are met.
- (g) The injection of funds into our subsidiaries in the PRC for the purposes of business expansion may be subject to prior approvals from the competent foreign exchange administration authorities.
- (h) Where the foreign investment enterprise is wound up or in the process of winding up for any reasons and there is residual assets after settlement of all debts or liabilities including taxes pursuant to the PRC liquidation law, the liquidation committee may, through the designated bank, purchase and remit the foreign exchange to its foreign shareholders by presentation of the liquidation documents, the tax settlement certificate and approval by SAFE.

---

## REGULATORY OVERVIEW

---

As our operations are primarily located in the PRC, we are required to comply with the PRC foreign exchange controls as set out above, when we transfer funds from the PRC companies of our Group to our non-PRC subsidiaries (whether in the form of dividend or not). Save as disclosed above, there are no restrictions on the ability of the PRC companies of our Group to transfer funds to our Company in the form of dividends.

Our Directors have confirmed that, during the Track Record Period and up to the Latest Practicable Date, we complied with all applicable foreign exchange laws and regulations, including but not limited to the laws and regulations mentioned above in all material respects, and up to the Latest Practicable Date we had not been subject to any administrative penalties imposed by any government authorities with respect to foreign exchange.

### **Taxation**

#### *(i) Enterprise Income Tax*

The applicable income tax laws, regulations, notices and decisions (collectively referred to as the “**Applicable Foreign Investment Enterprises Tax Law**”) related to foreign investment enterprises and their investors include the following:

- (a) Income Tax Law of the PRC on Foreign Investment Enterprises and Foreign Enterprises adopted by the NPC on 9 April 1991 and invalidated from 1 January 2008.
- (b) Implementing Rules of the Income Tax Law of the PRC on Foreign Investment Enterprises and Foreign Enterprises promulgated by the State Council, which came into effect on 1 July 1991 and invalidated from 1 January 2008.
- (c) Notice Relating to taxes Applicable to Foreign Investment Enterprises/Foreign Enterprises and Foreign Nationals in Relation to Dividends and Gains obtained from Holding and Transferring of Shares promulgated by the State Tax Bureau on 21 July 1993.
- (d) Notice on Some Policy Questions Concerning Individual Income Tax issued by Ministry of Finance and the State Tax Bureau on 13 May 1994.
- (e) Notice on Relevant Policies Concerning the Reduction of Income Tax on Interest and Other Income of Foreign Enterprises Derived from Sources in China issued by the State Council, which came into effect on 1 January 2000.
- (f) The Income Tax Law Applicable to Individuals of the PRC revised by the Standing Committee of NPC on 29 December 2007.
- (g) Circulation of State Council on Preferential Policy for Implementing Enterprise Income Tax Transition effective on 1 January 2008.

---

## REGULATORY OVERVIEW

---

- (h) The Tax Law promulgated on 16 March 2007, which stipulates that enterprise income tax will be standardized to 25% for all PRC resident enterprises, such law coming into effect on 1 January 2008.
- (i) The Implementation Regulations on the Tax Law which came into effect on 1 January 2008.

According to the Applicable Foreign Investment Enterprises Tax Law before 1 January 2008, foreign investment enterprises (including sino-foreign equity joint ventures, sino-foreign cooperative joint ventures and wholly foreign owned enterprises established in the territory of the PRC) were required to pay an enterprise income tax at a rate of 30% of their taxable income and a local income tax at a rate of 3% of their taxable income.

A foreign investment enterprise engaged in production having a period of operation of not less than ten years shall be exempted from enterprise income tax for the first 2 profit-making years and a 50% reduction in the enterprise income tax payable for the next 3 years (“**Two-year Exemption and Three-year 50% Reduction**”).

Regarding the encouraged industries and projects for foreign investment, the government of provinces, autonomous regions and municipalities directly under the central government are entitled to reduce or exempt the local income tax according to the actual situation.

Foreign investment enterprises established in special economic zones, foreign enterprises having an establishment in special economic zones engaged in production or business operations and foreign investment enterprises engaged in production in economic and technological zones may pay income tax at a reduced rate of 15%. Foreign investment enterprises engaged in production established in coastal economic open zones or in the old urban districts of cities where the special economic zones or the economic and technological development zones are located may pay enterprise income taxes at a reduced rate of 24%. A reduced enterprise income tax rate of 15% may apply to an enterprise located in such regions which is engaged in energy, communication, harbour, wharf or other projects encouraged by the State.

According to the Tax Law, the enterprise incorporated in the PRC shall be subject to the rate of 25% on their income and the local income tax is not applicable from 1 January 2008 onwards.

On 26 December 2007, the State Council promulgated the Circular of State Council on Preferential Policy for Implementing Enterprise Income Tax Transition (國務院關於實施企業所得稅過渡優惠政策的通知). Pursuant to such circular, an enterprise which enjoyed preferential treatment shall gradually transit to the rate of 25%, i.e. an enterprise that was used to enjoy the preferential EIT of 24% should be subject to the EIT of 25% from 1 January 2008 whilst an enterprise that was used to enjoy the preferential EIT of 15% should be subject to the EIT rates of 18% in 2008, 20% in 2009, 22% in 2010, 24% in 2011 and 25% in 2012 respectively.

---

## REGULATORY OVERVIEW

---

For an enterprise enjoying the preferential policy of Two-year Exemption and Three-year 50% Reduction will continue such enjoyment until its preferential period is completed according to the original PRC laws, administrative regulations and provisions. However, regarding those enterprises that have not enjoyed the aforesaid preferential policy due to them not being profit-making, the preferential period shall commence from 1 January 2008.

Losses incurred in a tax year may be carried forward for not more than 5 years.

According to the Notice of the Ministry of Finance and State Administration of Taxation on Several Preferential Policies on Enterprise Income Tax (財務部、國家稅務局關於企業所得稅若干優惠政策的通知) (the “**FM&SAT Notice**”), other than the preferential policies provided by Tax Law, the Implementation Regulations on the Tax Law (中華人民共和國企業所得稅法實施條例), the Circular of State Council on Preferential Policy for Implementing Enterprise Income Tax Transition (國務院關於實施企業所得稅過渡優惠政策的通知), the Notice of State Council concerning the Transitional Preferential Tax on the High-tech Enterprises Newly Incorporated in Special Economic Zones and Shanghai Pudong New District (國務院關於經濟特區和上海浦東新區新設立高新技術企業實行過渡性稅收優惠的通知) and the FM&SAT Notice, all the preferential policies on enterprise income tax implemented before 1 January 2008 are annulled. None of the various regions or departments shall exceed the power to issue preferential policies on enterprise income tax.

### (ii) *Value Added Tax*

The Provisional Regulations of the PRC Concerning Value Added Tax promulgated by the State Council came into effect on 1 January 1994, as amended on 5 November 2008. Under these regulations and the implementation of the Rules of the Provisional Regulations of the PRC Concerning Value Added Tax, value added tax is imposed on goods sold in or imported into the PRC and on processing, repair and replacement services provided within the PRC.

The value-added tax rates shall be as follows:

- (a) The tax rate for goods sold or imported by taxpayers other than the goods set forth in items (b) and (c) below shall be 17.0%.
- (b) The tax rate for sales or imports of the following goods by taxpayers shall be 13.0% on:
  - (i) grain, edible vegetable oil;
  - (ii) tap water, central heating, air-conditioning, hot water, coal gas, liquid petroleum gas, natural gas methane and coal products for use by residents;
  - (iii) books, newspapers, magazines;
  - (iv) forage, chemical fertiliser, agrochemical, agricultural machinery, agricultures film; and
  - (v) other goods specified by the State Council.



---

## REGULATORY OVERVIEW

---

- (c) The tax rate for goods exported by taxpayers shall be zero, except where otherwise determined by the State Council.
- (d) The tax rate for processing and repair and replacement services provided by taxpayers shall be 17.0%.

### *(iii) Business Tax*

With effect from 1 January 1994 and as amended on 5 November 2008, businesses that provide services (including entertainment businesses), assign intangible assets or sell immovable property are liable to business tax at the rate ranging from 3.0% to 20.0% (three to twenty per cent), of the charges for the services provided, the intangible assets assigned or the immovable property sold, as the case maybe. The formula for the calculation of the amount of tax payable is set forth below:

Amount of tax payable = amount of business × tax rate

The amount of tax payable shall be calculated in RMB. Taxpayers who settle their business income in foreign exchange shall convert their business income into RMB at the foreign exchange market rate.

### *(iv) PRC Custom Duties*

According to the Customs Law of the PRC, the consignee of the imports, the consignor of exports and the owners of the imports and exports are the persons obligated to pay custom duties. The Custom is the authority in charge of the collection of custom duties.

Custom duties in the PRC mainly fall under ad valorem duties, i.e. the price of import/export commodities is the basis for the calculation of the duties. When calculating the custom duties, import/export commodities shall be classified under appropriate tax items in accordance with the category provisions of the Custom Import and Export Tariff and shall be subject to tax levies pursuant to relevant tax rated.

Under the laws of the PRC, upon the approval of the PRC customs, raw materials, supplementary materials, parts, components, accessories and packing materials imported for processing and assembling finished products for foreign parties or for manufacturing products for export shall be exempted from import duties pursuant to the actual amount of goods processed for export; or import duties may be levied upfront on import materials and parts and subsequently refunded pursuant to the actual amount of goods processed for export.

To encourage foreign investment, the PRC started granting certain exemptions and reductions of custom duties on the import of machinery, equipment, parts and other materials within the total investment of foreign investment companies from 1992. However, subsequent to the adjustment of policies as of April 1996, such exemptions and reductions has been terminated. Foreign investment companies established before the effective date can still continue to enjoy such preferential treatment within the grace period.



---

## REGULATORY OVERVIEW

---

As of January 1998, according to the Notice of the State Council regarding the Adjustment of Taxation Policy of Import Equipment, in respect of foreign investment projects that fall under the Encouraging Category and the Restricted B Category of the Industrial Guidance Catalogue of Foreign Investment, and which also involve the transfer of technology, equipment imported for its own use within the total investment can be exempted from custom duties, except for the commodities listed in the Catalogue of the Non-tax-exemption Import Commodity of Foreign Investment Projects.

As of 20 July 2007, according to the Several Problems on Customs Implementing the Preferential Policy of Import Tax (關於針對海關在執行相關進口稅收優惠政策適用問題), in respect of foreign investment projects that fall under the Encouraging Category of the Industrial Guidance Catalogue of Foreign Investment or industrial entries of the Predominant Industrial Catalogue of Foreign Investment in Midwest Area, the equipment imported for its own use within the total investment as well as the accessory technology and components (the “Self-used Equipment”) can be exempt from custom duties, except for the commodities listed in the Catalogue of the Non-tax-exemption Import Commodity of Foreign Investment Projects. For foreign investment projects approved before 1 April 1996 and foreign investment projects under the Restricted B Category approved before 1 April 2002 may continue to enjoy the aforesaid preferential policy on import tax. However, to apply for tax exemption on Self-used Equipment, such foreign investment projects (including those under the Encouraging Category) shall go through the filing formalities before 31 December 2008 and the approval formalities before 31 December 2010.

(v) *Tax on dividends from PRC enterprise with foreign investment*

According to the Applicable Foreign Investment Enterprises Tax Law, income such as dividends and profits distribution from the PRC derived from a foreign enterprise which has no establishment in the PRC is subject to a 10% withholding tax, subject to reduction as provided by any applicable double taxation treaty, unless the relevant income is specifically exempted from tax under the Applicable Foreign Investment Enterprises Tax Law.

Pursuant to the Old Tax Law, the income of foreign investors allocated from the profits of foreign investment enterprises are exempted from EIT.

According to the Tax Law and the Implementation Regulations of the Tax Law (中華人民共和國企業所得稅法實施條例) which came into effect on 1 January 2008, income such as dividends and profits distribution from the PRC derived from a foreign enterprise which has no establishment in the PRC is subject to a 10% enterprise income tax (also known as “withholding tax”), subject to reduction as provided by any applicable double taxation treaty.

According to the “Notice of Provisions Interpretation on the Agreement between the Government of the PRC and the Government of the Republic of Singapore for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income”, which was announced and came into effect on 26 July 2010, the dividends may be taxed in the side of which the company paying the dividends is a resident, and according to the laws of that side, but if the beneficial owner of the dividends is a resident of the other side, the tax so charged shall not exceed: (i) where the beneficial owner is a company directly owning at least 25% of the capital of the company which pays

---

## REGULATORY OVERVIEW

---

the dividends, 5% of the gross amount of the dividends; and (ii) in any other case, 10% of the gross amount of the dividends. Therefore, the profit derived by a foreign investor residing in Singapore from its wholly owned PRC enterprise is subject to the tax rate of 5%.

According to Arrangement between the Mainland of China and Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion With Respect To Taxes On Income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) (the “**Tax Arrangement Between the PRC and HK**”) which was executed on 21 August 2006 and came into effect on 1 January 2007, the profit derived by a foreign investor residing in Hong Kong from its wholly owned PRC enterprise is subject to the tax rate of 5%.

According to the Notice of Financial Ministry and State Administration of Taxation on the Several Preferential Policies on Enterprise Income Tax (財政部、國家稅務總局關於企業所得稅若干優惠政策的通知) announced on 22 February 2008, the un-allocated profit generated from a foreign investment enterprise before 1 January 2008 shall be exempted from enterprise income tax when such profit is allocated to its foreign investor(s) whilst the profits generated in the year of 2008 and thereafter shall be subject to the enterprise income tax.

According to our legal adviser as to PRC laws, Hills & Co., the PRC companies of our Group have been duly registered with the relevant taxation authorities and obtained all requisite taxation registration certificates necessary under the PRC laws and regulations.

### **Environmental Protection Regulations**

In accordance with the Environmental Protection Law of the PRC adopted by the Standing Committee of the NPC on 26 December 1989, the Administration Supervisory Department of Environmental Protection of the State Council sets the national guidelines for the discharge of pollutants. The people’s governments of provinces, autonomous regions and municipalities directly under the central government may also set their own guidelines for the discharge of pollutants within their own provinces or districts in the event that the national guidelines are inadequate.

A company or enterprise which causes environmental pollution and discharges other pollutants which endanger the public should implement environmental protection methods and procedures into their business operations. This may be achieved by setting up a system of accountability within the company’s business structure for environmental protection, adopting effective procedures to prevent environmental hazards such as waste gases, sewage and residues, dust powder, radioactive materials and noise arising from production, construction and other activities from polluting and endangering the environment. The environmental protection system and procedures should be implemented simultaneously with the commencement of and during the operation of construction, production and other activities undertaken by the company. Any company or enterprise which discharges environmental pollutants should report and register such discharge with the Administration Supervisory Department of Environmental Protection and pay any fines imposed for the discharge. A fee may also be imposed on the company for the cost of any work required to restore the environment to its original state. Companies which have caused severe pollution to the environment are required to restore the environment or remedy the effects of the pollution within a prescribed time limit.

---

## REGULATORY OVERVIEW

---

If a company fails to report and/or register the environmental pollution caused by it, it will receive a warning or be penalized. Companies which fail to restore the environment or remedy the effects of the pollution within the prescribed time will be penalized or have their production and operations ceased. Companies or enterprises which have polluted and endangered the environment must bear the responsibility for remedying the danger and effects of the pollution, as well as compensate for any losses or damages suffered as a result of such environmental pollution.

Hills & Co., our legal advisers as to PRC laws, is of the opinion that the PRC companies of our Group have obtained all the necessary approvals and certificates in respect of the PRC environmental protection which are required for its business operation.

### Mergers and Acquisitions

On 8 August 2006, the MOFCOM, CSRC, SAFE and three other PRC authorities promulgated Rules on the M&A Rules, which came into effect on 8 September 2006 and revised on 22 June 2009. Foreign investors should comply with the M&A Rules when they purchase shareholding equities of a domestic non-foreign-funded enterprise or subscribe to the increased capital of a domestic company, and thus changing the nature of the domestic company into a foreign investment enterprise; or when the foreign investors establish a foreign investment enterprise (“**FIE**”) in the PRC and obtain the asset of a domestic company through purchase agreement and operate the asset, or purchase the asset of a domestic company and establish a FIE by use of the asset and operate the asset. The M&A Rules stipulate, *inter alia*, (i) that the acquisition of the PRC enterprise by affiliated foreign enterprises established or controlled by PRC entities or individuals must be approved by MOFCOM (the “**MOFCOM Approval**”); (ii) that the incorporation of a special purpose vehicles (the “**SPV**”), which are directly or indirectly controlled by PRC entities or individuals for the purpose of overseas listing, must be subject to the MOFCOM Approval; (iii) that the acquisition of PRC non-foreign-funded enterprise by SPV shall be subject to the MOFCOM Approval; and (iv) the offshore listing of SPV shall be subject to the prior approval from CSRC (the “**CSRC Approval**”).

Hills & Co., our legal advisers as to PRC laws, is of the opinion that as the three subsidiaries of the Company in the PRC, namely CWI (Shanghai), KIWA-CW (Shanghai) and Tianjin FeiSiTe, were directly established as foreign-invested enterprises held under the respective subsidiaries of the Company that were established outside the PRC prior to the effective date of the M&A Rules, the M&A Rules are not applicable. As regards SD Trading (Shanghai) which changed to a foreign-invested enterprise after the M&A Rules have come into effect, according to our PRC legal advisers, as the acquisition of SD Trading (Shanghai) by our Group had been approved by the Shanghai government in July 2007, and the acquisition does not fall within the above-mentioned situations (i) to (iv), our Group is not required to obtain the MOFCOM Approval and/or CSRC Approval as stipulated by the M&A Rules.

The circumstance (i) refers to Article 11 of the M & A Rules, where a PRC domestic company, enterprise or individual intends to take over its domestic affiliated company in the name of a company which it lawfully established or controls, it shall be subject to the examination and approval of the MOFCOM. Circumstances (ii), (iii) and (iv) circumstances refer to the situation of the SPV which must obtain MOFCOM approval and CSRC approval.

---

## REGULATORY OVERVIEW

---

According to Article 11, application of Article 11 must fulfil the following two criteria: 1) the shareholders or controlling parties of the acquirer are PRC domestic companies, enterprises or individuals; 2) those PRC domestic companies, enterprises or individuals and the acquirer has affiliated connection. Both situations must be fulfilled before Article 11 is applicable. Only the affiliated connections of the acquisition exist where the shareholders or controlling parties of the acquirer are not PRC domestic companies, enterprises or individuals, Article 11 does not apply; only the shareholders or controlling parties are PRC domestic companies, enterprises or individuals but no affiliated connections exist between the parties, Article 11 does not apply either.

In our case, the acquirer, CW Advanced Technologies is a Singapore company which was not set up or controlled by PRC companies or individuals at the time of acquisition and Article 11 does not apply although it has affiliated connection with the acquired company.

According to the M & A rules, SPV means an overseas company directly or indirectly controlled by domestic companies or individuals for the purpose of listing overseas the equity interests of an onshore company actually owned by such companies or individuals. Overseas listing of SPV must obtain MOFCOM approval and CSRC approval.

According to the above regulations, SPV must fulfil the following two criteria: (1) domestic enterprises in the PRC shall be beneficially owned by domestic companies or individuals; (2) overseas companies shall also be directly or indirectly controlled by the same domestic companies or individuals. Based on criteria (1) above, at the time of the establishment of SD Trading (Shanghai), its beneficial owner was CW Advanced Technologies, which was not set up or controlled by PRC companies or individuals; based on criteria (2) above, CW Advanced Technologies was not directly or indirectly owned by PRC domestic companies or individuals, which was not affiliated to SPV.

In summary, the acquisition of SD Trading (Shanghai) by CW Advanced Technologies does not fall within the ambit of Article 11 of M&A Rules, nor involve SPV. Hence, the acquisition is not required to be approved by the MOFCOM.

### **PRC Regulations Relating to Circular 698**

Pursuant to the Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprises (國家稅務總局關於加強非居民企業股權轉讓所得企業所得稅管理的通知, 國稅函 [2009] 698), or Circular 698, issued by the State Administration of Taxation on 10 December 2009 with retroactive effect from 1 January 2008, where a foreign investor transfers its indirect equity interest in a PRC resident enterprise by disposing of its equity interests in an overseas holding company, or an Indirect Transfer, and such overseas holding company is located in a tax jurisdiction that: (i) has an effective tax rate less than 12.5% or (ii) does not tax foreign income of its residents, the foreign investor shall report to the competent tax authority of the PRC resident enterprise this Indirect Transfer within 30 days since the execution of the share transfer agreement. Using a substance over form principle, the PRC tax authority may disregard the existence of the overseas holding company if it lacks a reasonable commercial purpose and was established for the purpose of avoiding PRC tax. As a result, gains derived from such Indirect Transfer may be subject to PRC withholding tax at a rate of up to 10%. Circular 698 also provides that, where a non-PRC

---

## REGULATORY OVERVIEW

---

resident enterprise transfers its equity interests in a PRC resident enterprise to its related parties at a price lower than the fair market value, the relevant tax authority has the power to make a reasonable adjustment to the taxable income of the transaction.

According to the consultation made by our PRC legal advisers with Beicheng District State Tax Bureau of Tianjin City, Shanghai State Tax Bureau and Pudong New District Tax Bureau of Shanghai City, the overseas holding companies shall declare and file for the overseas re-organization, despite of its shareholding ratio or whether it is the major shareholder, and tax bureau will determine whether any withholding tax shall be imposed. Therefore, our Group shall declare and file with the local tax authority before the Listing. As confirmed by the Directors, our Group is in the process of relevant declaration and filing procedures. As advised by our PRC legal advisers, there is no legal obstacle for our Group to obtain the tax filing provided that the submission documents are compliant with the relevant requirements by the laws and tax authority.

### SUMMARY OF RELEVANT SINGAPORE LAWS AND REGULATIONS

#### Tax Law

##### *Corporate income tax*

A Singapore tax resident corporate taxpayer is subject to Singapore income tax on:

- income accrued in or derived from Singapore; and
- foreign sourced income received or deemed received in Singapore, unless otherwise exempted.

##### *Corporate income tax*

A corporate taxpayer, subject to certain exceptions, is subject to Singapore income tax on income accrued in or derived from Singapore, and on foreign income received or deemed received in Singapore.

The corporate tax rate in Singapore is 17.0% with effect from the year of assessment 2010. Further corporate tax exemption will apply to the first S\$300,000 of a company's chargeable income as follows:

75% of up to the first S\$10,000 of a company's chargeable income; and

50% of up to the next S\$290,000 of a company's chargeable income.

Foreign income in the form of branch profits, dividends and service fee income received or deemed received in Singapore by a Singapore tax resident corporate taxpayer are exempted from Singapore tax subject to meeting the qualifying conditions. A company is regarded as tax resident in Singapore if the control and management of the company's business is exercised in Singapore.

---

## REGULATORY OVERVIEW

---

### *Individual income tax*

An individual taxpayer (both resident and non-resident) is subject to Singapore income tax on income accrued in or derived from Singapore, subject to certain exceptions. Foreign-sourced income received or deemed received by a Singapore tax resident individual is generally exempt from income tax in Singapore except for such income received through a partnership in Singapore. Certain Singapore-sourced investment income received or deemed received by individuals is also exempt from tax.

Currently, a Singapore tax resident individual is subject to tax at the progressive rates, ranging from 0% to 20.0%.

A non-Singapore tax resident individual is normally taxed at the tax rate of 20.0% except that Singapore employment income is taxed at a flat rate of 15.0% or at resident rates, whichever yields a higher tax.

An individual is regarded as a tax resident in Singapore if in the calendar year preceding the year of assessment, he was physically present in Singapore or exercised an employment in Singapore (other than as a director of a company) for 183 days or more, or if he ordinarily resides in Singapore.

### *Withholding Tax*

Certain types of payments to non-Singapore resident taxpayers are subject to withholding tax. Generally, under domestic law, tax is to be withheld at tax rate from 10% to 20% depending on the nature of the payment. There is no withholding tax on dividend payments.

### *Dividend distributions*

Dividend paid by a Singapore resident company is considered “one-tier” dividends. Such dividends are tax exempt in the hands of the shareholder. This is regardless of whether the shareholder is a corporate or individual shareholder, and whether the shareholder is a Singapore tax resident or not. There will be no tax credits attached to such dividends. There is no withholding tax on dividend payments to non-resident shareholders.

### *Gains on disposal of shares*

Currently, Singapore does not impose tax on capital gains. Any profit from the disposal of shares is not taxable in Singapore unless the seller is regarded by the Inland Revenue Authority of Singapore as having derived gains of an income nature which are sourced in Singapore.

However, there are no specific laws or regulations which deal with the characterisation of gains from disposal of shares. Share disposal gains may be construed to be of an income nature under certain circumstances and hence, subject to tax. The most common instance is where the gains arise from activities which the Inland Revenue Authority of Singapore regards as the carrying on of a trade in Singapore.

---

## REGULATORY OVERVIEW

---

### *Estate Duty*

No estate duty is leviable in respect of deaths occurring on or after 15 February 2008.

### *Goods and Services Tax (“GST”)*

The sale of shares of a Singapore company by a GST-registered person belonging in Singapore through the SGX-ST, to another person belonging in Singapore, would be an exempt supply not subject to GST. Where shares are sold by the GST-registered person under a contract with a person who belongs in a country outside Singapore and which directly benefits a person who belongs in a country other than Singapore and who is outside Singapore at the time the sale was made, the sale would generally be a taxable supply subject to GST at zero-rate.

GST incurred by a GST-registered person on taxable supplies made to him which is attributable to taxable supplies made by him in the course of or furtherance of business is available as a credit against GST chargeable by the said GST-registered person on taxable supplies made by him in the course of or furtherance of business carried on by him.

Services such as brokerage, handling and clearing charges rendered by a GST-registered person to an investor belonging in Singapore in connection with the investor’s purchase, sale, holding of shares would be subject to GST at the current rate of 7.0%. Similar services rendered to an investor belonging outside Singapore and which directly benefits a person who belongs in a country other than Singapore and who is outside Singapore at the time the services were supplied would generally be subject to GST at zero-rate.

### *Stamp duty*

No stamp duty is payable on the issue of new ordinary shares of a company incorporated in Singapore. In the event that a register of shares is kept in Singapore and where an instrument of transfer is executed in respect of shares registered in such register, stamp duty may be payable on such instrument of transfer at the rate of S\$2.00 for every S\$1,000 or part thereof, computed based on the value of consideration or the market value of the shares registered in Singapore, whichever is higher. The purchaser is liable for stamp duty, unless there is an agreement to the contrary. No stamp duty is payable if no instrument of transfer is executed or the instrument of transfer is executed outside Singapore. However, stamp duty may be payable if the instrument of transfer which is executed outside Singapore is received in Singapore.

## **Employment Law**

### *Workplace Safety and Health Act (Chapter 354A) (“WSHA”)*

Under the WSHA, every employer has the duty to take, so far as is reasonably practicable, such measures as are necessary to ensure the safety and health of his employees at work. These measures include providing and maintaining for the employees a work environment which is safe, without risk to health, and adequate as regards facilities and arrangements for their welfare at work, ensuring that



---

## REGULATORY OVERVIEW

---

adequate safety measures are taken in respect of any machinery, equipment, plant, article or process used by the employees, ensuring that the employees are not exposed to hazards arising out of the arrangement, disposal, manipulation, organisation, processing, storage, transport, working or use of things in their workplace or near their workplace and under the control of the employer, developing and implementing procedures for dealing with emergencies that may arise while those persons are at work and ensuring that those persons at work have adequate instruction, information, training and supervision as is necessary for them to perform their work. More specific duties, including taking effective measures to protect persons at work from the harmful effects of any exposure to any bio-hazardous material which may constitute a risk to their health, imposed by the MOM on employers are laid out in the Workplace Safety and Health (General Provisions) Regulations (“WSHR”).

Under the WSHA, the CWSH may serve a remedial order or a stop-work order in respect of a workplace if he is satisfied that (i) the workplace is in such condition, or is so located that any process or work carried on in the workplace cannot be carried on with due regard to the safety, health and welfare of persons at work; (ii) any person has contravened any duty imposed by the WSHA; or (iii) any person has done any act, or has refrained from doing any act which, in the opinion of the CWSH, poses or is likely to pose a risk to the safety, health and welfare of persons at work. The remedial order shall direct the person served with the order to take such measures, to the satisfaction of the CWSH, to *inter alia* remedy any danger so as to enable the work or process in the workplace to be carried on with due regard to the safety, health and welfare of the persons at work, whilst the stop-work order shall direct the person served with the order to immediately cease to carry on any work indefinitely or until such measures as are required by the CWSH have been taken to remedy any danger so as to enable the work in the workplace to be carried on with due regard to the safety, health and welfare of the persons at work.

### *Employment of Foreign Manpower Act (Cap. 91A) (“EFMA”)*

The availability and the employment cost of skilled and unskilled foreign workers are affected by the Government’s policies and regulations on the immigration and employment of foreign workers in Singapore. The policies and regulations are set out in, *inter alia*, the EFMA and the relevant Government Gazettes. The employment of foreign workers is also subject to the payment of levies.

### *Work Injury Compensation Act (Chapter 354) (“WICA”)*

The WICA is regulated by the MOM and applies to workmen (referred to as the employee) in all industries in respect of injury suffered by them in the course of their employment and sets out, *inter alia*, the amount of compensation they are entitled to and the method(s) of calculating such compensation. The WICA provides that personal injury by accident arising out of and in the course of the employment is caused to a workman, the employer shall be liable to pay compensation in accordance with the provisions of the WICA.



---

## REGULATORY OVERVIEW

---

### **Environmental Law**

#### *Environmental Public Health Act (Chapter 95) (“EPHA”)*

The EPHA requires, *inter alia*, a person, during the erection, alteration, construction or demolition of any building or at any time, to take reasonable precautions to prevent danger to the life, health or well-being of persons using any public places from flying dust or falling fragments or from any other material, thing or substance. The EPHA also regulates, *inter alia*, the disposal and treatment of industrial waste and public nuisances. Under the EPHA, the Ministry of Environment (“MOE”) has empowered the Director-General of Public Health to serve a nuisance order on the owner or occupier of the premises on which the nuisance arises. Some of the nuisances which are liable to be dealt with by the MOE and/or its statutory board, the National Environment Agency, summarily under the EPHA include any factory or workplace which is not kept in a clean state and any place where there exists or is likely to exist any condition giving rise, or capable of giving rise to the breeding of flies or mosquitoes, any place where there occurs, or from which there emanates noise or vibration as to amount to a nuisance and any machinery, plant or any method or process used in any premises which causes a nuisance or is dangerous to public health and safety. The EPHA also requires the occupier of any construction site to employ a competent person to act as an Environmental Control Officer in the construction site for the purpose of exercising general supervision within the construction site of the observance of the provisions of, *inter alia*, the EPHA.

#### **Sale of Goods (United Nations Conventions) Act (Cap. 283A)**

The Sale of Goods (United Nations Conventions) Act (Cap. 283A) applies, *inter alia*, to contracts of sales of goods between parties whose places of business are in different contracting states. Contracts for the supply of goods to be manufactured or produced are to be considered sales unless the party who orders the goods undertakes to supply a substantial part of the materials necessary for such manufacture or production.

The Sale of Goods (United Nations Conventions) Act does not apply to contracts in which the preponderant part of the obligations of the party who furnishes the goods consists in the supply of labour or other services.

#### **Singapore Legal Advisers’ view**

Our Singapore legal advisers, RHTLaw Taylor Wessing LLP, confirm that, based on their legal due diligence and the confirmations from our eight companies incorporated in Singapore (namely SG Tech, SG Technologies, CWG, CWI, CW Tech, CW Advanced Technologies, FNW and KIWA-CW), such eight companies have complied with and obtained all requisite permits licences and certificates in accordance with the relevant laws and regulations in Singapore.

---

## COMPANY HISTORY AND REORGANIZATION

---

### MILESTONES

|              |   |
|--------------|---|
| 1996         | Our first operating company, CWG, was established in Singapore to provide precision engineering solutions to our customers  |
| 2003         | CW Advanced Technologies was established in Singapore to expand our services for a wide range of manufacturing industries, such as electronics/semi-conductor industries                          |
| 2004         | SD Trading (Shanghai) was established in the PRC to secure the PRC agency rights for a brand of plastic injection moulding machines   |
| 2005         | CWI (Shanghai) was established in the PRC to further expand our manufacturing and assembly activities in the PRC  |
| 2005         | KIWA-CW (Shanghai) was established in the PRC as a wholly foreign-owned enterprise in which we indirectly held 50% interest to manufacture CNC machining centres under a licence granted by KIWA  |
| 2007         | We acquired 51% effective interest in Tianjin FeiSiTe as part of our expansion plan into the cement industry  |
| 2007         | We planned to list our Group on the SGX-ST, and several investors were introduced into our Group, including Mr. Tay, Charter Field, Harrisonburg, Starcap and World Leap                          |
| 2009         | As our listing application on the SGX-ST lapsed due to the then global economic downturn, some investors withdrew their investments in us, including Starcap and Harrisonburg                     |
| 2010         | We acquired the remaining 49% effective interest in Tianjin FeiSiTe   |
| 2010         | To facilitate the expansion of our business and our plan of listing on the Stock Exchange, we introduced Septwolves as our investor and issued the redeemable convertible loan to the Subscribers |
| 2010 onwards | Reorganization steps were carried out in accordance with our listing plan on the Stock Exchange   |

### HISTORY AND DEVELOPMENT

Since 1996, we have developed a diversified group of companies engaging in the provision of complete turn-key engineering solution-based strategies to our customers in the construction, electronics/semi-conductor, aerospace, oil, gas and marine, and automotive industries.

---

## COMPANY HISTORY AND REORGANIZATION

---

### CWG

On 28 May 1996, Mr. William Wong and an Independent Third Party incorporated CWG as a private limited company in Singapore to focus on the provision of precision engineering solutions to our customers. Immediately upon incorporation of CWG, each of Mr. William Wong and the Independent Third Party owned 1 share of CWG. In June 1999, (i) CWG allotted and issued 998 additional new shares to Mr. William Wong at a nominal consideration of S\$1 per share; and (ii) the Independent Third Party transferred his 1 share of CWG to Mr. Wong Ha, the father of Mr. William Wong, at a nominal consideration of S\$1. After such transfer and allotment, CWG was then owned by Mr. William Wong and Mr. Wong Ha as to approximately 99.9% and 0.1% respectively. As advised by our Singapore legal advisers, the aforesaid allotment and transfer were in compliance with the relevant Singapore laws and regulations.

CWG subsequently allotted and issued to Mr. William Wong 79,000 shares on 6 August 1999, 120,000 shares on 3 October 2000, 100,000 shares on 7 November 2000, 300,000 shares on 23 May 2003, 200,000 shares on 19 April 2004 and 150,000 shares on 15 June 2004 respectively, all at nominal consideration of S\$1 per share. As advised by our Singapore legal advisers, the aforesaid allotments were in compliance with the relevant Singapore laws and regulations. After these allotments, Mr. William Wong held a total number of 949,999 shares of CWG.

On 29 October 2004, Mr. William Wong and Mr. Wong Ha transferred 227,999 shares and 1 share of CWG to Mr. Sam Wong at the consideration of S\$304,659 and S\$1.34 respectively, which were determined based on the audited net asset value per share of CWG as at 30 June 2003. As advised by our Singapore legal advisers, the aforesaid transfers were in compliance with the relevant Singapore laws and regulations. After the completion of such transfers, CWG was owned as to 76% by Mr. William Wong and 24% by Mr. Sam Wong respectively.

On 20 June 2005, CWG allotted and issued 646,000 and 204,000 shares to Mr. William Wong and Mr. Sam Wong, at the nominal consideration of S\$1 per share respectively. As advised by our Singapore legal advisers, the aforesaid allotments were in compliance with the relevant Singapore laws and regulations.

### **CW Advanced Technologies**

As part of CWG's plan to expand our range of services, Mr. William Wong and another Independent Third Party incorporated CW Advanced Technologies in Singapore on 27 February 2003, which was initially engaged in the trading of industrial machines for a wide range of manufacturing industries, such as the electronics/semi-conductor industries. At the time of incorporation, CW Advanced Technologies was 99% owned by Mr. William Wong and 1% by the Independent Third Party. CW Advanced Technologies later also engaged in the provision of industrial solutions to its customers in such industries. In January 2004, each of Mr. William Wong and the Independent Third Party transferred their respective interests in CW Advanced Technologies to CWG at the consideration of S\$247,500 and S\$2,500 respectively. Such consideration was determined based on the par value of the transferred shares. As advised by our Singapore legal advisers, the aforesaid transfers were in compliance with the relevant Singapore laws and regulations. Since then, CW Advanced Technologies was wholly-owned by CWG.

---

## COMPANY HISTORY AND REORGANIZATION

---

### **SD Trading (Shanghai)**

SD Trading (Shanghai) was established on 26 February 2004 by CWG. As foreign investment in commodity trading was restricted under the relevant PRC regulations at that time, CWG arranged two local staff, Ms. Zhu Haijing (朱海靖女士) and Ms. Lin Li (林莉女士), to hold the equity interest in SD Trading (Shanghai) on trust, to expedite the establishment of a local trading company in the PRC. SD Trading (Shanghai) was able to secure the PRC agency rights for a brand of plastic injection moulding machines for distribution to foreign enterprises operating in the PRC. Our PRC legal advisers are of the view that as there are no written laws or regulations specifically prohibiting such trust arrangement in the PRC and such trust was terminated on 6 July 2007. In addition, according to the relevant PRC laws, violation of laws would not be subject to administrative penalty if not discovered within two years from the date of violation. Accordingly, as advised by our PRC legal advisers the existence of such trust arrangement from 2004 to 2007 would not adversely affect the subsistence of SD Trading (Shanghai) and its business licence would not be discharged or terminated.

Pursuant to the share transfer agreement dated 30 April 2007 entered into between Ms. Zhu Haijing, Ms. Lin Li and CW Advanced Technologies, and the approval obtained from the relevant PRC governmental authorities on 6 July 2007, CW Advanced Technologies acquired the entire equity interest in SD Trading (Shanghai) from Ms. Zhu Haijing and Ms. Lin Li (as the trustees on behalf of CWG) at a total consideration of approximately RMB3.4 million. The consideration was determined based on the valuation of the net asset value of SD Trading (Shanghai) of approximately RMB3.4 million as at 31 December 2006. Such consideration was subsequently repaid by Ms. Zhu Haijing and Ms. Lin Li to our Group pursuant to the aforesaid trust arrangement. As advised by our PRC legal advisers, all relevant approvals and permits relating to the aforesaid transfer had been obtained.

### **CWI**

On 20 April 2004, CWI was incorporated in Singapore with 15% equity interest being held by Mr. William Wong and 85% equity interest being held by Mr. Sam Wong. On the same day, Mr. William Wong and Mr. Sam Wong transferred their respective interests in CWI to CWG at the consideration of S\$1,500 and S\$8,500 respectively, which were determined based on the nominal value of S\$1 per share. As advised by our Singapore legal advisers, the aforesaid transfers were in compliance with the relevant Singapore laws and regulations. After such transfers, CWI became a wholly-owned subsidiary of CWG. CWI was originally intended to be engaged in the provision of engineering services and investment holding and it is now an investment holding company.

### **SG Technologies and CW Tech**

On 26 October 2004, SG Technologies was incorporated in Singapore which was wholly-owned by CWG to engage in the businesses of providing trading of precision engineering equipment, parts and components. On the same day, CWG also incorporated CW Tech as an investment holding company.

---

## COMPANY HISTORY AND REORGANIZATION

---

### **CWI (Shanghai)**

On 18 May 2005, CWI established CWI (Shanghai) as a wholly foreign owned enterprise in the PRC with the intention to expand our manufacturing and assembly activities in the PRC. Prior to such arrangement, our manufacturing and assembly activities were carried out by CWG in Singapore. At the time of establishment, the registered capital of CWI (Shanghai) was US\$500,000, which was fully paid-up as at 14 February 2007. In March 2007, the registered capital of CWI (Shanghai) was increased to US\$1,000,000. The aforesaid increase was approved by the relevant PRC authority on 28 March 2007. The then registered capital of CWI (Shanghai) of US\$1,000,000 was fully paid up as at 20 May 2010. On 10 December 2010, CWI (Shanghai) increased its registered capital from US\$1,000,000 to US\$2,500,000. The aforesaid increase was approved by the relevant PRC authority on 11 January 2011.

### **CWI (Malaysia)**

On 25 July 2005, CWI (Malaysia) was established by Mr. William Wong and CWG, with each holding one share in CWI (Malaysia), the former of whom held such interest on trust for CWG to satisfy the relevant Malaysia regulations at that time that a private company in Malaysia needed to have at least two shareholders. CWI (Malaysia) subsequently allotted and issued 60,000 and 450,000 shares to CWG on 15 December 2005 and 16 April 2007 at the consideration of RM60,000 and RM450,000 respectively, which was determined based on the par value of RM1.00 per share. As advised by our Malaysia legal advisers, the aforesaid allotments were in compliance with the relevant Malaysia laws and regulations. Our Malaysian legal advisers are also of the view that the aforesaid trust arrangement is legally valid and enforceable by CWG under the laws of Malaysia. At the time of establishment, CWI (Malaysia) was engaged in the provision of supply-chain services to our customers in Malaysia and the provision of industrial solution support to the contract manufacturers of our customers. Subsequently, as the customers in Malaysia were able to obtain local technical support, our operations in Malaysia were scaled down significantly and presently, CWI (Malaysia) is inactive.

### **Fuyang International and Tianjin FeiSiTe**

On 20 April 2001, Mr. Fu incorporated Fuyang International in the BVI to provide after-sales services to customers who have purchased equipment and various products from Pfister, a German manufacturer and distributor of machinery, equipment and spare parts for the construction materials industry. Pfister has since transferred the distribution rights for its equipment and products in the PRC to Tianjin FeiSiTe which was established as a wholly foreign owned enterprise in the PRC on 14 August 2003 by Mr. Fu through Fuyang International. Tianjin FeiSiTe is principally engaged in the manufacturing and trading of components and cement production equipment for the construction materials industry. The registered capital of Tianjin FeiSiTe of US\$200,000 was fully paid-up by Fuyang International as at 10 March 2004. On 24 May 2011, Tianjin FeiSiTe increased the registered capital from US\$200,000 to US\$3,650,500. As advised by our PRC legal advisers, all relevant approvals and permits relating to the aforesaid increase in the registered capital of Tianjin FeiSiTe had been obtained.

---

## COMPANY HISTORY AND REORGANIZATION

---

On 1 January 2007, as part of our expansion plan into the cement production equipment industry, CWG entered into a sale and purchase agreement (as amended by two supplemental deeds dated 11 September 2007 and 20 June 2008 respectively) to acquire the entire equity interest in Fuyang International from Mr. Fu at a consideration of S\$6,051,622, which was determined on basis of a price earning ratio of two times of the audited net profit after tax of Fuyang International for the year ended 31 December 2007. As directed by CWG, the entire equity interest in Fuyang International was to be transferred to FNW. The said acquisition was completed on 6 March 2007. However, as the financial results of Fuyang International for the year ended 31 December 2007 was released in around April/May 2008, the consideration was subsequently settled by issuing 270,524 shares of CWG, which was based on the management's best estimate of the market value of our Group assuming a successful listing on the SGX-ST to Mr. Fu in July 2008. As FNW was owned as to 51% by our Group through CW Tech and 49% by Mr. Fu, we obtained 51% effective interest in Tianjin FeiSiTe through Fuyang International after the aforesaid transfer.

Subsequently on 22 June 2010, as part of our reorganization, FNW transferred its 51% and 49% equity interest in Fuyang International to FNW International and Mr. Fu at nominal considerations respectively. On 8 November 2010, Mr. Fu, FNW International and SG Tech entered into a sale and purchase agreement pursuant to which Mr. Fu agreed to dispose of his 49% equity interest in Fuyang International to FNW International at a consideration of S\$21,249,372. After completion of such share transfers, Fuyang International became an indirect wholly owned subsidiary of our Group, and we acquired the remaining 49% effective interest in Tianjin FeiSiTe through Fuyang International. For further details of the above reorganization, please refer to the sub-section headed "The Reorganization" under this section.

### **FNW**

FNW was incorporated in Singapore on 6 March 2007 as an investment holding company and was owned as to 51% by CW Tech and 49% by Mr. Fu respectively. The entire equity interest in Fuyang International was held by CWG through FNW before 22 June 2010 after which the entire equity interest in Fuyang International was transferred to FNW International. For details of such transfer, please refer to the sub-section headed "The Reorganization" below.

### **KIWA-CW and KIWA-CW (Shanghai) as jointly-controlled entities**

On 26 January 2005, KIWA-CW was incorporated in Singapore as a 50:50 jointly-controlled entity between KIWA and CW Tech for the purpose of establishing a wholly foreign owned enterprise in the PRC. On 18 May 2005, KIWA-CW (Shanghai) was established in the PRC as a wholly foreign owned enterprise to manufacture CNC machining centres under a licence granted by KIWA. Pursuant to the joint venture agreement entered into between CW Tech, KIWA, KIWA-CW and KIWA-CW (Shanghai) on 1 June 2005, KIWA has agreed to provide technical assistance to KIWA-CW (Shanghai) and CW Tech will be responsible for the day-to-day operations of KIWA-CW (Shanghai), including dealing with clients, landlords, suppliers and government departments and agencies etc. The board of directors of KIWA-CW comprises six directors, three of whom are nominated by KIWA and three nominated by CW Tech. In addition, the chairman of its board of directors is held by the director nominated by KIWA and CW Tech on a rotation basis. The registered capital of KIWA-CW (Shanghai) of US\$2,000,000 was fully paid-up.

---

## COMPANY HISTORY AND REORGANIZATION

---

Set out below is a summary to the function of each of the entities within our Group:

| <b>Entity</b>            | <b>Principal activities</b>  |
|--------------------------|--|
| CW Advanced Technologies | (i) providing precision engineering solutions services to customers in various industries; and (ii) trading precision engineering equipment, parts and components                                  |
| CWG                      | (i) providing precision engineering solutions services to customers in various industries; and (ii) trading precision engineering equipment, parts and components                                  |
| CWI (Shanghai)           | manufacturing and trading parts and components   |
| KIWA-CW Group            | (i) manufacturing CNC machining centers under the brand names of “KIWA-CW” and “KIWA”; and (ii) manufacturing and sale of parts and components for CNC machining centres                           |
| SD Trading (Shanghai)    | (i) providing precision engineering solutions services to customers in various industries; and (ii) trading precision engineering equipment, parts and components                                  |
| SG Technologies          | trading precision engineering equipment, parts and components to electronics/semi-conductor industries   |
| Tianjin FeiSiTe          | (i) manufacturing and sale of cement production equipment; and (ii) sale of cement production equipment, parts and components for construction materials industry and after-sales related services |
| CW Tech                  | investment holding   |
| CWI                      | investment holding   |
| FNW                      | investment holding   |
| FNW International        | investment holding   |
| Honor Well               | investment holding   |
| SG (BVI) Limited         | investment holding   |
| SG Tech                  | investment holding   |
| CWI (Malaysia)           | inactive   |



---

## COMPANY HISTORY AND REORGANIZATION

---

### OUR PLAN FOR THE LISTING

After years of expansion and in order to enhance our future business development, we started to consider listing our Group on the SGX-ST. To prepare for such plan, we introduced investors and there had been several changes in our shareholding.

On 10 January 2007, our executive Directors, Mr. William Wong and Mr. Sam Wong, transferred:-

- (i) 259,000 and 19,000 shares in CWG to Mr. Tay at consideration of S\$304,176 and S\$22,314 respectively, which were determined after arm's length negotiations between the parties and based on a percentage of the sales contributed by Mr. Tay; and
- (ii) 752,000 and 188,000 shares in CWG to WMS Holding at the nominal consideration of S\$1 and S\$1 respectively.

On the same day, Mr. William Wong also transferred 72,000 shares and 54,000 shares of CWG to Charter Field and Harrisonburg at the consideration of S\$810,000 and S\$600,000 respectively, which was determined with reference to a price earning ratio of 4.5 times of the expected profit after tax of CWG of S\$4.5 million for the year ended 31 December 2006.

Following such transfers, CWG was owned by WMS Holding, Mr. William Wong and Mr. Sam Wong, all being our Controlling Shareholders, as to 77.5%, and by Mr. Tay, Charter Field and Harrisonburg as to 15.4%, 4.0% and 3.0% respectively. In addition, on the same day, each of Starcap and World Leap invested in CWG by subscribing for 90,000 shares of CWG at a consideration of S\$10 per share. Pursuant to the respective subscription agreements, such subscription consideration was determined with reference to a price earning ratio of 4.5 times of the expected profit after tax of CWG of S\$4 million for the year ended 31 December 2006. As advised by our Singapore legal advisers, all of the aforesaid transfers and subscriptions were in compliance with the relevant Singapore laws and regulations. After the aforesaid transfers and subscriptions, CWG was owned by the Controlling Shareholders as to 70.6% and by Mr. Tay, Starcap, World Leap, Charter Field and Harrisonburg as to 14.0%, 4.5%, 4.5%, 3.7% and 2.7% respectively.

To settle the consideration of S\$6,051,622 for the acquisition of the entire equity interest in Fuyang International by CWG as mentioned above, in July 2008, CWG allotted and issued 270,524 new shares to Mr. Fu. As advised by our Singapore legal advisers, the aforesaid allotment was in compliance with the relevant Singapore laws and regulations. Thereafter, CWG was owned by the Controlling Shareholders as to 62.1% and by Mr. Tay, Mr. Fu, Starcap, World Leap, Charter Field and Harrisonburg as to 12.3%, 12.0%, 4.0%, 4.0%, 3.2% and 2.4% respectively.

SG Tech was incorporated as a private limited company in Singapore under the Companies Act on 6 August 2007 by Mr. William Wong and it was originally intended to be the holding company of our Group through the acquisition of the entire issued share capital of CWG for the proposed listing on the SGX-ST.



---

## COMPANY HISTORY AND REORGANIZATION

---

In December 2008, we filed an application for listing of the shares of SG Tech on the SGX-ST. On 21 November 2008, SG Tech, WMS Holding, Mr. Tay, Mr. Fu, Mr. William Wong, Mr. Sam Wong, Starcap, World Leap, Charter Field and Harrisonburg respectively entered into a sale and purchase agreement, pursuant to which SG Tech acquired the entire issued capital of CWG from all its shareholders at an aggregate consideration of S\$9,651,620.88, which was determined based on the amount of the paid-up capital of CWG. Such consideration was satisfied by the allotment and issue of a total of 2,250,523 shares in SG Tech to the shareholders of CWG. As advised by our Singapore legal advisers, the aforesaid transfers and allotment were in compliance with the relevant Singapore laws and regulations. After the aforesaid transfers, SG Tech became the sole shareholder of CWG, and SG Tech was owned by the Controlling Shareholders as to 62.1% and by Mr. Tay, Mr. Fu, Starcap, World Leap, Charter Field and Harrisonburg as to 12.3%, 12.0%, 4.0%, 4.0%, 3.2% and 2.4% respectively.

In view of the unfavourable market condition at that time and the uncertainty of the listing timetable, SG Tech did not continue the listing application and the application automatically lapsed on 1 January 2009.

Following the lapse of our listing application for the listing of the shares of SG Tech on the SGX-ST, some investors withdrew their investment in us.

On 23 October 2009, Starcap transferred its entire interest in SG Tech to Ms. Lau Kit Wai at a nominal consideration of S\$1. As advised by our Singapore legal advisers, the aforesaid transfer was in compliance with the relevant Singapore laws and regulations.

On 15 May 2010, SG Tech repurchased all the shares in SG Tech held by Ms. Lau Kit Wai at a consideration of S\$675,000. Such consideration was determined after arm's length negotiations and based on a discount of its original purchase price because of the uncertain market condition. As advised by our Singapore legal advisers, the aforesaid repurchase was in compliance with the relevant Singapore laws and regulations.

On 17 May 2010, Harrisonburg transferred all its shares in SG Tech to WMS Holding at a consideration of S\$450,000. Such consideration was determined after arm's length negotiations and based on its original purchase price. As advised by our Singapore legal advisers, the aforesaid transfer was in compliance with the relevant Singapore laws and regulations.

### **PRE-IPO INVESTMENT**

In 2010, we re-lanched our listing plan and considered listing our Group on the Stock Exchange. Accordingly, we introduced a number of pre-IPO investors.

#### **Septwolves**

SG Tech and Septwolves entered into the Septwolves S&P Agreement on 9 April 2010, pursuant to which Septwolves agreed to invest in SG Tech. According to the terms of the Septwolves S&P Agreement, (i) notwithstanding any subsequent issue of shares, it was agreed that further shares will be allotted and issued to Septwolves so that its shareholding in the holding company of our Group

---

## COMPANY HISTORY AND REORGANIZATION

---

immediately prior to the Global Offering will constitute not less than 6% of the then total issued share capital of the holding company; and (ii) except with the prior written consent of SG Tech, prior to the Global Offering, Septwolves shall not sell, transfer, charge or in any manner dispose of the shares obtained by virtue of the Septwolves S&P Agreement.

Pursuant to the Septwolves S&P Agreement, on 13 July 2010, SG Tech allotted and issued to Septwolves, 137,906 shares in SG Tech for a consideration of HK\$16,500,000. Such consideration was determined after arm's length negotiations between the parties and was based on five times our price earnings ratio as determined in accordance with our Company's then estimated audited net profit after tax for the year ended 31 December 2010. As advised by our Singapore legal advisers, the aforesaid allotment was in compliance with the relevant Singapore laws and regulations.

On 13 March 2012, according to the anti-dilution provisions of the Septwolves S&P Agreement, SG Tech allotted and issued 141,944 shares to Septwolves after the allotment of 800,000 shares of SG Tech to Mr. Fu on 14 December 2010 and the conversion of 923,796 shares of SG Tech by the Subscribers pursuant to the terms of the Redeemable Convertible Loan Agreement.

The above-mentioned anti-dilution rights shall cease to have any further effect immediately after we have been successfully listed on the Stock Exchange or other recognized stock exchanges.

As a result of the Reorganization, the Global Offering and the Capitalization Issue, immediately after the completion of the Global Offering and the Capitalization Issue, Septwolves will hold 27,985,000 Shares, representing approximately 4.54% of the total issued Shares immediately after the completion of the Global Offering and the Capitalization Issue. The investment cost of Septwolves is approximately HK\$0.59 per Share, representing a discount of approximately 61.5% to the mid-point of the tentative Offer Price of HK\$1.53 per Share. The proceeds received by our Group under the Septwolves S&P Agreement were intended for the purpose of financing the listing expenses for the Listing and as general working capital of our Group.

### **Redeemable Convertible Loan Subscribers**

Based on the Redeemable Convertible Loan Agreement, the Subscribers advanced a redeemable convertible loan to SG Tech in the aggregate principal amount of S\$9,000,000. According to the terms of the Redeemable Convertible Loan Agreement, among other things,

- (i) SG Tech shall apply the loan as to S\$4,000,000 for capital expenditure, S\$4,000,000 for working capital and S\$1,000,000 for professional fees in relation to the Global Offering;
- (ii) no interest shall accrue on the total loan amount from the date of drawdown up to and including 31 December 2010 or such later date as may be agreed between the parties (the "Longstop Date"). The Longstop Date has been extended to 30 September 2011 by a supplemental deed dated 30 September 2010. It was then extended to 31 December 2011 by a letter dated 16 August 2011 and further extended to 31 March 2012 by another letter dated 31 December 2011;

---

## COMPANY HISTORY AND REORGANIZATION

---

- (iii) in the event that SG Tech or our Company is unable to obtain listing on an accepted exchange by the Longstop Date, the Subscribers shall have the right and at their sole discretion to extend the duration of the redeemable convertible loan by a further 12 months commencing on the Longstop Date. Interest on the redeemable convertible loan shall then accrue from the date of drawdown at the rate of 25% per annum, an additional interest on the redeemable convertible loan shall also accrue from the Longstop Date at the rate of 5% per annum and we shall pay a fixed aggregate sum of S\$2,977,396.20 to the Subscribers (in proportion to their participation in the redeemable convertible loan);
- (iv) subject to earlier conversion and redemption of the redeemable convertible loan, SG Tech shall pay to the Subscribers all the interest accrued on the redeemable convertible loan in arrears in the event that the Global Offering does not take place within 12 months from the date of drawdown or an event of default as set out in the Redeemable Convertible Loan Agreement takes place during the said period;
- (v) for as long as the redeemable convertible loan remains outstanding, the Subscribers may elect, during the period commencing from the date of drawdown to the Longstop Date, subject to the receipt by our Company of the approval in-principle for the Listing, to convert the entire outstanding principal amount of the redeemable convertible loan into fully paid Shares (the "Conversion Shares") at an issue price (the "Conversion Price") to be calculated as follows:
  - (a) in the event of our listing on the Stock Exchange, the price at which the Conversion Shares are to be issued, as adjusted from time to time, will initially be equal to five times of our price earnings ratio ("PER"), as determined in accordance with our Company's audited net profit after tax for the financial year ended 31 December 2010 immediately prior to the Listing (or if there is no audited net profit after tax for the financial year ended 31 December 2010 immediately prior to the Listing, our net profit after tax forecast of HK\$55 million for the financial year ended 31 December 2010); or
  - (b) in the event of our listing on the SGX-ST or any other acceptable exchange, the price at which the Conversion Shares are to be issued, as adjusted from time to time, will initially be set at a 50% discount to the issue price of the Shares at the time of Listing, subject to a maximum of three times of our Company's PER as determined in accordance with our Company's audited net profit after tax for the financial year ended 31 December 2010 immediately prior to the Listing;

So far as the calculation in (a) is concerned, as the net profit after tax for the year ended 31 December 2010 fell below HK\$55 million due to the non-recurring fair value adjustments arising from the Redeemable Convertible Loan Agreement, HK\$55 million would be used as the basis to determine the price at which the Conversion Shares are to be issued as agreed in the Redeemable Convertible Loan Agreement. Based on the agreed net profit after tax of HK\$55 million (equivalent to S\$9,088,055), the principal amount of the S\$9 million redeemable convertible loan would be converted into shares of our Company, assuming a valuation of

---

## COMPANY HISTORY AND REORGANIZATION

---

S\$45,440,275 i.e. S\$9,088,055 x PER of five times. Therefore, the Subscribers are entitled to convert 19.81% of Shares immediately before the Capitalization Issue and the Global Offering, i.e. 923,796 Shares.

- (vi) each subscriber is granted a put option (the “Put Option”) to require Mr. William Wong, Mr. Sam Wong and WMS Holding to purchase from them all the Conversion Shares (and not some only) held by them in the event that our Company, for any reasons whatsoever, is not listed on an acceptable exchange within 12 months from the date of drawdown at an aggregate consideration equivalent to the loan amount contributed by the Subscriber plus (a) a compensation cost at the rate of 20% per annum on the loan amount, if we are not listed by the Longstop Date or (b) a compensation cost at the rate of 25% per annum on the loan amount if we are not listed after the Longstop Date;
- (vii) save as otherwise determined by the Subscribers at their sole discretion, the redeemable convertible loan shall be redeemed (the “Redemption”) by us and/or Mr. William Wong, Mr. Sam Wong and WMS Holding in the manner set out below;
  - (a) in the event SG Tech or our Company is, for any reasons whatsoever, not listed on an acceptable exchange by the Longstop Date, the redeemable convertible loan shall be redeemed by us and/or Mr. William Wong, Mr. Sam Wong and WMS Holding plus such interest and the fixed aggregate sum pursuant to (iii) above; or
  - (b) in the event of our breach of any obligations and/or any terms in the Redeemable Convertible Loan Agreement, and in the case of any breach of an obligation or term of the Redeemable Convertible Loan Agreement which, in the sole determination of the Subscribers, is capable of remedy, it is not remedied within 30 days of such breach, the redeemable convertible loan shall be redeemed plus such interest and the fixed aggregate sum pursuant to (iii) above.
- (viii) the Subscribers enjoy certain first refusal rights, anti-dilution rights and tag-long rights as set out below till we have been successfully listed on the Stock Exchange, New York, Singapore or such other stock exchange as may be approved by the Subscribers.
  - (a) Upon conversion of the redeemable convertible loan and prior to a qualified initial public offering IPO, save for the shares issued upon conversion of the redeemable convertible loan and otherwise contemplated in the Redeemable Convertible Loan Agreement, SG Tech or our Company shall not issue any new shares, securities-linked instruments or rights to acquire such shares or securities convertible into, or exchangeable for, such shares, save with the prior written approval of the Subscribers.
  - (b) In the event that SG Tech or our Company (as the case may be) proposes to allot and issue additional shares (or rights to acquire such shares or securities convertible into, or exchangeable for, such shares), it was agreed that the Subscribers shall have the right to participate in all such future allotments and issuances to the extent

---

## COMPANY HISTORY AND REORGANIZATION

---

necessary to maintain each Subscriber's proportionate fully diluted shareholding in SG Tech or our Company (as the case may be) as they would have been entitled to under the Redeemable Convertible Loan Agreement pursuant to the conversion of the redeemable convertible loan, including but not limited to adjusting the price for conversion.

- (c) SG Tech or our Company shall be entitled to allot and issue new shares to a third party, provided that SG Tech or our Company (as the case may be) first makes an offer to allot and issue a pro-rata portion of those shares to the Subscribers in accordance with the pre-emption mechanism contained in the Redeemable Convertible Loan Agreement.
- (d) Upon conversion of the redeemable convertible loan and prior to a qualified IPO, if a shareholder of SG Tech or our Company (as the case may be) (the "Transferring Shareholder") proposes to transfer, in a single transaction or a series of related transactions, any of the shares held by him in a bona fide sale (the "Transfer"), the Transferring Shareholder shall promptly give a written notice (the "Notice of Transfer") simultaneously to SG Tech or our Company (as the case may be) and to the Subscribers. The Notice of Transfer shall describe in reasonable detail the terms and conditions of the proposed Transfer.
- (e) The Subscribers shall have the right, exercisable upon a written notice (the "Notice of Participation") to SG Tech or our Company (as the case may be) within 30 days after receipt of the Notice of Transfer, to inform SG Tech or our Company (as the case may be) in writing whether they elect to participate in the Transfer by the Transferring Shareholder on the same, or more favourable, terms and conditions as set out in the Notice of Transfer. The Subscribers may, upon receipt of the Notice of Transfer, exercise their right of conversion (if such right has not been previously exercised) and the conversion price shall be set at a 50% discount to the price per share to be transferred as set out in the Notice of Transfer.
- (f) To the extent any prospective purchaser or purchasers refuses to purchase shares from a tag-along participant exercising his tag-along right rights in the Redeemable Convertible Loan Agreement, the Transferring Shareholder shall not transfer to such prospective purchaser or purchasers any of his shares unless and until, simultaneously with such Transfer, the Transferring Shareholder shall purchase the shares from the tag-along participant on the same terms and conditions specified in the Notice of Transfer.

The rights mentioned in sub-sections (i) to (viii) above shall cease to have any further effect immediately after we have been successfully listed on the Stock Exchange, New York, Singapore or such other stock exchanges as may be acceptable to the Subscribers.

As confirmed by our Directors, the investments by each of the Subscribers and Septwolves are in compliance with the interim guidance on pre-IPO Investments issued by the Stock Exchange.

---

## COMPANY HISTORY AND REORGANIZATION

---

On 5 March 2012, SG Tech received a notice of conversion from the Subscribers and subsequently according to the terms of the Redeemable Convertible Loan Agreement, the principal amount of the redeemable convertible loan was fully converted into 923,796 shares in SG Tech and such shares were allotted and issued to the Subscribers in proportion to their respective contributions to the redeemable convertible loan.

Upon completion of the Reorganization and the Capitalization Issue but immediately before the Global Offering, the Subscribers will hold in aggregate 92,379,600 Shares of the Company. The Subscribers will initially sell in aggregate 12,500,000 Sale Shares pursuant to the International Offering. For particulars of the Subscribers and their respective Sale Shares, please refer to the paragraph headed “14. Particulars of Selling Shareholders” in the subsection headed “Other information” in Appendix VI to this prospectus.

As a result of the Reorganization, the Global Offering and the Capitalization Issue, immediately after the completion of the Global Offering and the Capitalization Issue, the Subscribers in aggregate will hold 79,879,600 Shares, representing 12.96% of the total issued Shares immediately after the completion of the Global Offering and the Capitalization Issue. The cost per Share for the above Shares held by the Subscribers is approximately HK\$0.54 representing a discount of 64.6% to the mid-point of the tentative Offer Price of HK\$1.53 per Share.

The following table provides a summary of the key features of the pre-IPO investments:

|   | Name of Pre-IPO Investors   |   |
|---|---|---|
|   | Septwolves  | Subscribers   |
| <b>Date of investment</b>                       | 9 April 2010  | 21 April 2010   |
| <b>Amount of consideration paid</b>             | HK\$16,500,000  | S\$9,000,000 (equivalent to approximately HK\$50,027,000)   |
| <b>Payment date of consideration</b>            | 14 July 2010  | 12 May 2010 – S\$650,000<br>13 May 2010 – S\$6,350,000<br>14 May 2010 – S\$1,500,000<br>23 June 2010 – S\$500,000   |
| <b>Discount to Offer Price</b>                  | 61.5% to the mid-point of the tentative Offer Price   | 64.6% to the mid-point of the tentative Offer Price   |
| <b>Purpose of the pre-IPO investment</b>        | The proceeds were intended to be used for financing the IPO expenses and the general working capital of our Group | S\$4,000,000 for capital expenditure<br>S\$4,000,000 for working capital<br><br>S\$1,000,000 for professional fees in relation to the IPO exercise of our Group |
| <b>Shareholding in the Company upon Listing</b> | 4.54%   | 12.96% (after the selling of the Sale Shares)   |

---

## COMPANY HISTORY AND REORGANIZATION

---

### THE REORGANIZATION

For the purpose of Listing, we have also carried out the following reorganization steps.

In order to minimize the tax payable by our Group in relation to the future dividend pay-out by Tianjin FeiSiTe, CWG set up a wholly-owned subsidiary namely, FNW International, in the BVI on 8 June 2010. On 22 June 2010, FNW transferred its 100% equity interest in Fuyang International, i.e. as to 51% to FNW International and 49% to Mr. Fu at nominal consideration. Upon completion of such transfers, Fuyang International was owned as to 51% and 49% by FNW International and Mr. Fu respectively. Prior to these transfers, if there were any dividend remitted from Tianjin FeiSiTe to FNW through Fuyang International, our Group would be subject to Singapore tax as there is no double tax treaty between Singapore and BVI. During the Track Record Period, our Group was not subject to any Singapore tax in relation to dividends as the dividends declared by Tianjin FeiSiTe have not been remitted to FNW.

On 13 July 2010, in consideration of the assignment from WMS Holding to SG Tech of a loan in the amount of S\$500,000 owed by CWG to WMS Holding, SG Tech allotted and issued to WMS Holding 500,000 new shares based on nominal value of S\$1 per share. As advised by our Singapore legal advisers, the aforesaid allotment was in compliance with the relevant Singapore laws and regulations.

On 8 November 2010, Mr. Fu, FNW International and SG Tech entered into a sale and purchase agreement, pursuant to which Mr. Fu agreed to dispose of his 49% equity interest in Fuyang International to FNW International at a consideration which was determined on the basis of arm's length negotiations between our Group and Mr. Fu and at an agreed valuation of approximately a PER of five times to the 49% of the net profit after tax of Tianjin FeiSiTe for the year ended 31 December 2009, which was equivalent to S\$21,249,372, being the agreed consideration presented in dollar terms as stated in the sale and purchase agreement dated 8 November 2010. Under the sale and purchase agreement, the consideration was to be satisfied by the payment of S\$6 million cash and issuance of 800,000 shares of SG Tech. This was the ultimate combined consideration received by Mr. Fu.

Subsequent to the completion of the said acquisition and for accounting purpose, our Group engaged an independent professional valuer, Assets Appraisal Limited, to conduct a valuation on the 800,000 shares of SG Tech. Such valuation was conducted solely for the purpose of satisfying the relevant accounting standards on presenting the cost of the acquisition in accounting terms. According to the valuation report dated 21 September 2011, the 800,000 shares of SG Tech were valued at approximately S\$9,481,000 and hence, the total cost of acquisition as shown in the Reporting Accountants' Report, the texts of which are set out in Appendix I to this prospectus, was at a total value of S\$15,481,000, which was represented by the aggregate of the cash consideration of S\$6 million and the fair value of the 800,000 shares of SG Tech as per the said valuation.

As a result, the discrepancy between the consideration stated in the sale and purchase agreement of S\$21,249,372 and the cost of acquisition of S\$15,481,000 as stated in the Accountants' Report figure was due to the presentation variation under different circumstances and reporting requirements.



---

## COMPANY HISTORY AND REORGANIZATION

---

After completion of such share transfers, Fuyang International became an indirect wholly-owned subsidiary of our Group. Mr. Fu subsequently held a total of 1,070,524 shares of SG Tech, representing approximately 29.49% of the then issued share capital of SG Tech.

On 13 April 2011, Mr. Fu transferred his 49% equity interest in FNW, an investment holding company, to CW Tech at a consideration of S\$49 which was determined based on nominal value of S\$1 per share. Upon completion of this transfer, FNW was 100% owned by CW Tech.

To further decrease the potential tax liability relating to any future dividend of Tianjin FeiSiTe, FNW International incorporated Honor Well in Hong Kong. On 20 February 2012, FNW International entered into a conditional agreement with Mr. Fu to transfer the entire issued shares of Fuyang International to Mr. Fu at a consideration of US\$1 on condition that, among others, the transfer of the entire equity interest in Tianjin FeiSiTe from Fuyang International to Honor Well will have been duly completed. On 20 February 2012, Fuyang International entered into an equity transfer agreement with Honor Well to transfer the entire equity interest in Tianjin FeiSiTe to Honor Well. Tianjin Municipal People's Government issued the Certificate of Approval on 2 March 2012 and Tianjin FeiSiTe has issued the capital contribution certificate to Honor Well. According to the opinion of Hills & Co., our legal advisers as to PRC laws, the transfer agreement of the entire equity interest in Tianjin FeiSiTe has taken effect upon the obtaining of such Certificate of Approval, and the transfer of the entire equity interest in Tianjin FeiSiTe has taken effect upon the issue of the capital contribution certificate by Tianjin FeiSiTe. However, Tianjin FeiSiTe is required to complete the registration procedures at the local tax and industry and commerce authorities. As at the Latest Practicable Date, such registration procedures have not yet been completed. According to Hills & Co., when Tianjin FeiSiTe has filed the relevant documents in accordance with the laws and regulations and as required by the authorities, there is no legal obstacle in completing the registration process.

On 11 June 2010, our Company was incorporated in the Cayman Islands as an exempted company with limited liability. One Share was allotted and issued to Reid Services Limited on 11 June 2010, which was transferred to WMS Holding at a nominal consideration of HK\$0.01 on the same day.

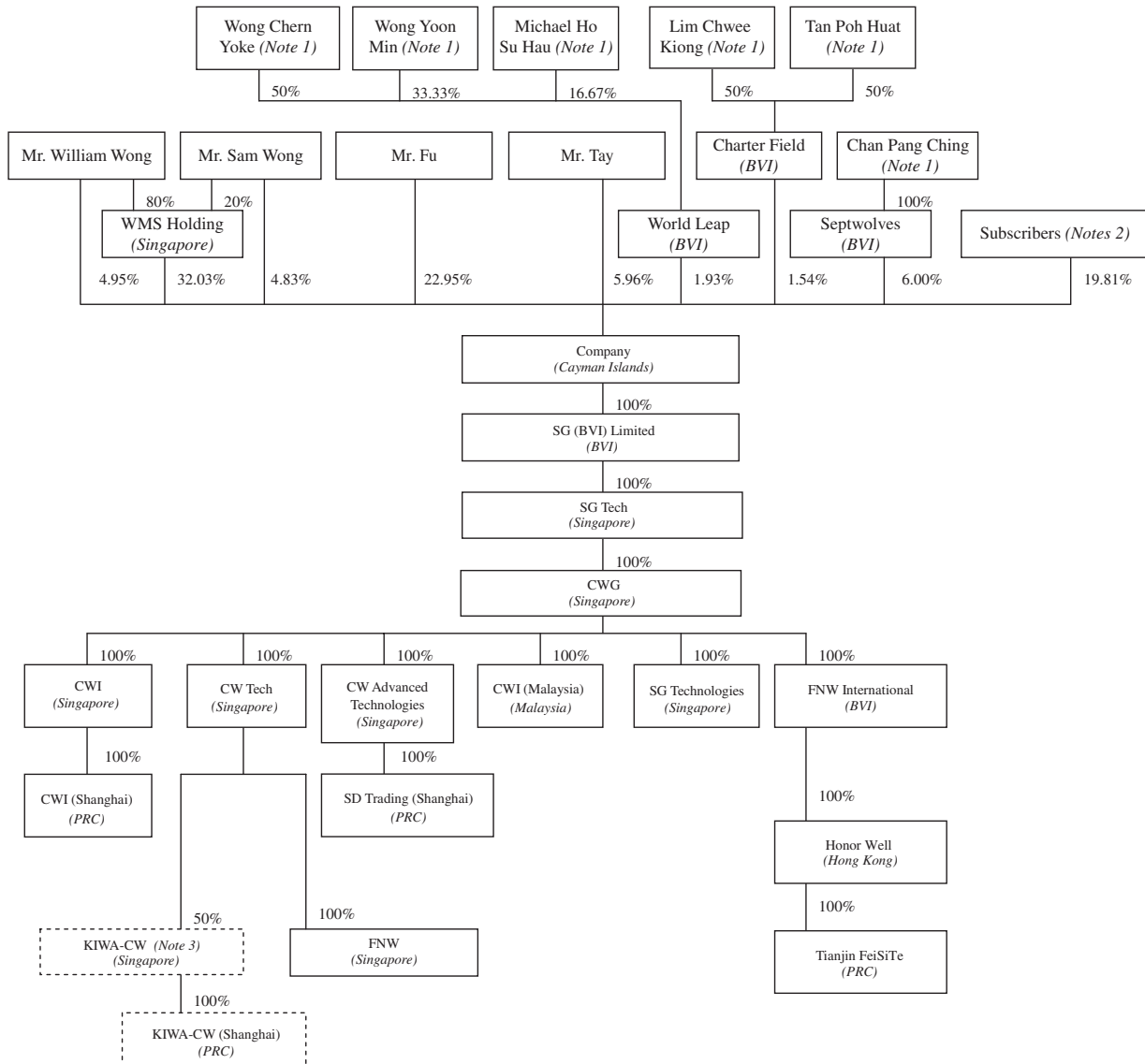
On 5 July 2010, our Company set up a wholly-owned subsidiary, namely SG (BVI) Limited.

Pursuant to a sale and purchase agreement dated 9 March 2012, our Company allotted and issued, on 13 March 2012, Shares credited as fully paid to the shareholders of SG Tech in the same proportion as their respective shareholdings in SG Tech, in consideration of the shareholders of SG Tech transferring all the issued shares of SG Tech to SG (BVI) Limited.



## COMPANY HISTORY AND REORGANIZATION

The corporate structure of our Group immediately after the Reorganization, but before the Global Offering and the Capitalization Issue, is as follows:



---

## COMPANY HISTORY AND REORGANIZATION

---

*Note:*

- (1) Wong Chern Yoke, Wong Yoon Min, Michael Ho Su Hau, Tan Poh Huat, Lim Chwee Kiong and Chan Pang Ching are private investors of our Company. Each of them is an Independent Third Party and is independent of the Company, the Directors, the chief executive, the senior management or the other shareholders of our Group or any of their respective associates or any of our Group's suppliers or customers.
- (2) The Subscribers comprise Phillip Ventures Enterprise Fund 2 Ltd., 3VS1 Asia Growth Fund Ltd., Skylight Enterprises Group Ltd, Julian Lionel Sandt, Long Chee Tim, Daniel, Terrance Tan Kong Hwa and Polygon Capital Limited, who/which held approximately 11.00%, 3.30%, 2.20%, 0.77%, 0.55%, 0.55% and 1.44% respectively of our issued Shares immediately before completion of the Global Offering.

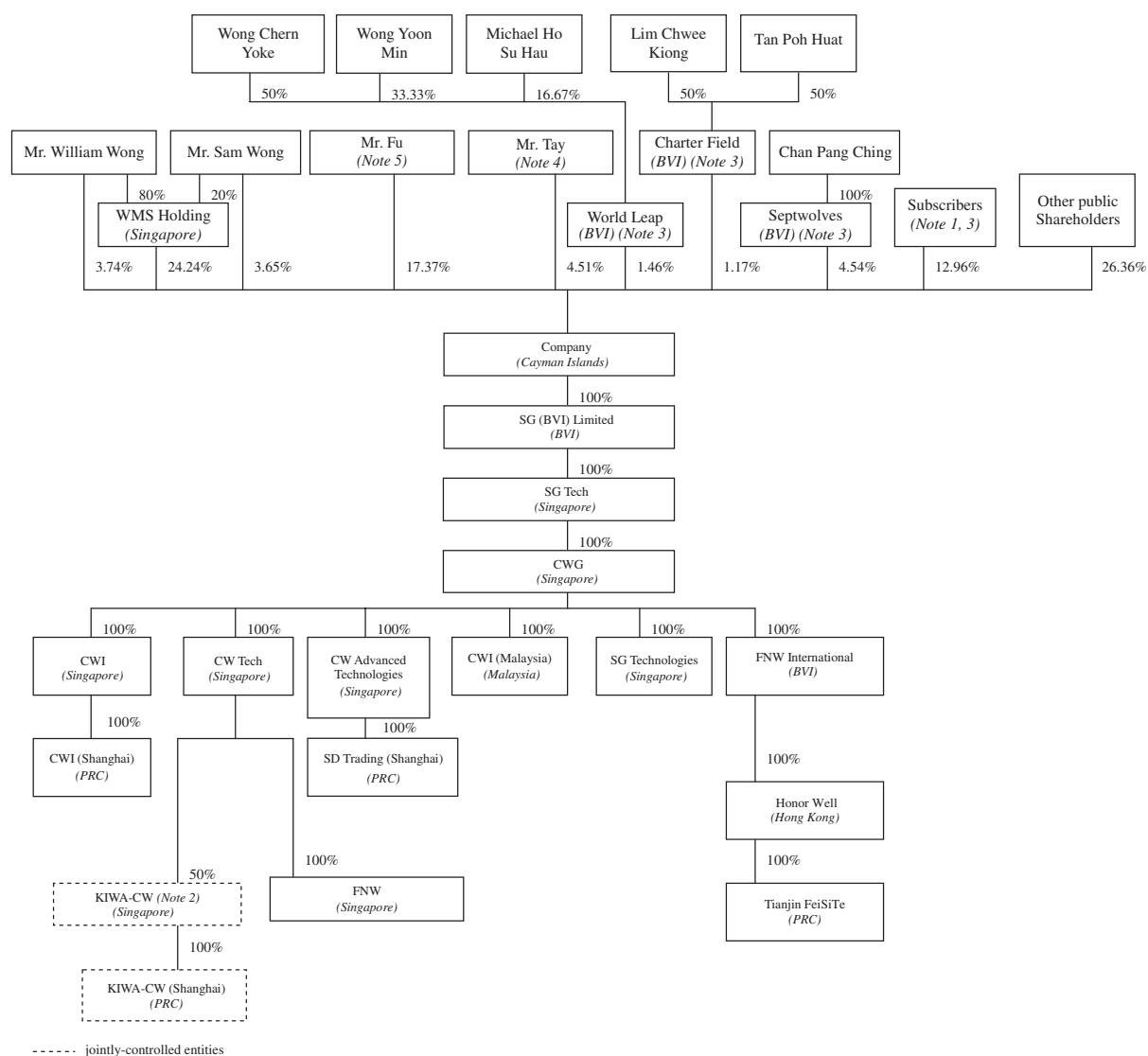
Phillip Ventures Enterprise Fund 2 Ltd. is a public company limited by shares incorporated in Singapore. It is a private equity investment fund managed by Phillip Private Equity Pte. Ltd.. 3VS1 Asia Growth Fund Ltd. is a public company incorporated in Singapore. It is a private equity investment fund managed by 3V SourceOne Capital Pte. Ltd. Skylight Enterprises Group Ltd is an investment holding company incorporated on 12 January 2000, which is wholly-owned by Mr. Ng Seng Tat. Mr. Ng is a private individual investor. Polygon Capital Limited is an investment holding company incorporated on 1 September 2005 focusing on pre-IPO opportunities or listed equity, which is wholly-owned by Thomas Markus Roeggia. Julian Lionel Sandt is a private individual investor. Long Chee Tim, Daniel and Terrance Tan Kong Hwa are professional fund managers. Apart from Julian Lionel Sandt who is a director of Polygon Capital Limited, each of the Subscribers and their ultimate shareholders is independent from the another and is an Independent Third Party which is independent of the Company, the Directors, the chief executive, the senior management or the other shareholders of our Group or any of their respective associates or any of our Group's suppliers or customers.

- (3) [-----] represents jointly-controlled entities  
KIWA-CW is held as to 50% by KIWA and 50% by us.

# COMPANY HISTORY AND REORGANIZATION

## GLOBAL OFFERING

The corporate structure of our Group immediately after completion of the Global Offering and the Capitalization Issue (assuming the Over-allotment Option is not exercised and there is no allotment or issuing of new Shares under the Share Option Scheme) is as follows:



**Note:**

- (1) The Subscribers comprise Phillip Ventures Enterprise Fund 2 Ltd., 3VS1 Asia Growth Fund Ltd., Skylight Enterprises Group Ltd, Julian Lionel Sandt, Long Chee Tim, Daniel, Terrance Tan Kong Hwa and Polygon Capital Limited, who/which held 7.20%, 2.16%, 1.44%, 0.50%, 0.36%, 0.36% and 0.94% respectively of our issued Shares immediately after completion of the Global Offering.
- (2) KIWA-CW is held as to 50% by KIWA and 50% by us.
- (3) World Leap, Charter Field, Septwolves and the Subscribers will be treated as our public Shareholders upon Listing.
- (4) Mr. Tay is a consultant of our Company and his brother is the general manager of one of our subsidiaries. Mr. Tay will not be treated as our public Shareholders upon Listing.
- (5) The Shares held by the Controlling Shareholders, Mr. Fu, Mr. Tay, World Leap, Charter Field, Septwolves and the Subscribers after completion of the Capitalization Issue and the Global offering will be subject to a moratorium period. Please refer to the paragraph headed “Undertakings” in the section headed “Underwriting” in this Prospectus for further details.

---

## BUSINESS

---

### OVERVIEW

We are a precision engineering solutions provider and machine tool manufacturer and distributor serving customers from a wide range of industries, including the precision machine tool engineering, construction materials, electronics/semi-conductor, automotive, oil, gas and marine, and aerospace industries. Headquartered in Singapore with production facilities in the PRC, our business covers geographical markets worldwide including the PRC, Europe and the Asia-Pacific region.

Our experienced engineers and technical staff and our network of suppliers enable us to offer our customers comprehensive precision engineering solutions tailored to meet their specific requirements, ranging from the conducting of feasibility studies, concept and design, sourcing of assemblies, components and parts to the manufacturing, installation and testing of our products and the provision of after-sales technical support. For the three years ended 31 December 2008, 2009 and 2010 and the nine months ended 30 September 2011, revenue received from the provision of precision engineering solutions amounted to HK\$71.8 million, HK\$87.1 million, HK\$196.5 million and HK\$243.4 million respectively. The Directors believe that our turn-key and specialized solutions based business model have enabled us to find a niche in the market by providing our customers with a one-stop shop for all their precision engineering-related needs.

In addition, since 2007, our Group has tapped into a burgeoning business in the PRC in the manufacture of cement production equipment under our own brand, “菲斯特”, as well as in the distribution of rotor weighfeeders of international brands and other cement production equipment. Such equipment forms a key part in the production lines of cement productions. For the three years ended 31 December 2008, 2009 and 2010 and the nine months ended 30 September 2011, our Group’s revenue from the sale of cement production equipment was HK\$126.3 million, HK\$147.6 million, HK\$178.3 million and HK\$92.4 million respectively.

Our Group further supplements our core businesses by manufacturing our “KIWA-CW” and “KIWA” brand CNC vertical machining centres and by distributing and trading a comprehensive range of accessory products, components and parts, which enable our Group to be a one-stop solutions provider well-positioned to meet the needs of our customers. These components and parts possess a wide range of engineering applications. For the three years ended 31 December 2008, 2009 and 2010 and the nine months ended 30 September 2011, our Group’s revenue derived from the sale of CNC machining centres amounted to approximately HK\$28.5 million, HK\$14.1 million, HK\$48.1 million and HK\$54.4 million respectively while our revenue derived from the sale of components and parts amounted to approximately HK\$44.2 million, HK\$15.1 million, HK\$23.4 million and HK\$136.2 million respectively, representing approximately 15.1%, 5.2%, 5.0% and 25.0% respectively of our Group’s revenue.

We further supplement our core businesses by providing a comprehensive maintenance programme and after-sales technical support to our customers. This enables us to be in constant contact with our customers. For the three years ended 31 December 2008, 2009 and 2010 and the nine months ended 30 September 2011, revenue derived from our provision of technical support services amounted to HK\$20.9 million, HK\$25.8 million, HK\$23.1 million and HK\$18.7 million respectively, representing approximately 7.2%, 8.9%, 4.9% and 3.4% respectively of our Group’s revenue.

## BUSINESS

Our Group is currently developing and extending our activities into Europe and since January 2011 we have been collaborating with DMPG. Through this strategic collaboration with DMPG, our Group is well placed to produce CNC horizontal machining centres targeting the high-end segment of the precision engineering market in the PRC and other emerging markets via an original equipment manufacturing (“OEM”) project. Our Group has already received purchase orders from DMPG and production commenced in early 2012, to produce key components for CNC horizontal machining centres.

For the three financial years ended 31 December 2010, and the nine months ended 30 September 2011, our Group recorded revenue of HK\$291.6 million, HK\$289.7 million, HK\$469.5 million and HK\$545.3 million respectively.

The following tables show our Group’s revenue during the Track Record Period: –

The following table shows the breakdown of our revenue by business segments during the Track Record Period:

|  | Year ended 31 December |              |                |              |                |              | Nine months ended 30 September |              |                |              |
|--|------------------------|--------------|----------------|--------------|----------------|--------------|--------------------------------|--------------|----------------|--------------|
|  | 2008                   |              | 2009           |              | 2010           |              | 2010                           |              | 2011           |              |
|  | HK\$'000               | %            | HK\$'000       | %            | HK\$'000       | %            | HK\$'000                       | %            | HK\$'000       | %            |
| Precision engineering solutions projects | 71,777                 | 24.6         | 87,058         | 30.0         | 196,493        | 41.9         | 76,068                         | 29.1         | 243,448        | 44.6         |
| Sales of cement production equipment     | 126,316                | 43.3         | 147,603        | 51.0         | 178,316        | 38.0         | 125,917                        | 48.2         | 92,447         | 17.0         |
| Sales of CNC machining centres           | 28,478                 | 9.8          | 14,133         | 4.9          | 48,134         | 10.2         | 30,743                         | 11.8         | 54,425         | 10.0         |
| Sales of components and parts            | 44,165                 | 15.1         | 15,101         | 5.2          | 23,430         | 5.0          | 19,645                         | 7.5          | 136,227        | 25.0         |
| After-sales technical support services   | 20,907                 | 7.2          | 25,816         | 8.9          | 23,077         | 4.9          | 8,977                          | 3.4          | 18,740         | 3.4          |
| <b>Total</b>                             | <b>291,643</b>         | <b>100.0</b> | <b>289,711</b> | <b>100.0</b> | <b>469,450</b> | <b>100.0</b> | <b>261,350</b>                 | <b>100.0</b> | <b>545,287</b> | <b>100.0</b> |

## BUSINESS

The following table sets out the breakdown of our Group's revenue by geographical locations during the Track Record Period:

|                      | For the year ended 31 December |              |                |              |                |              | Nine months ended 30 September |              |                |              |
|----------------------|--------------------------------|--------------|----------------|--------------|----------------|--------------|--------------------------------|--------------|----------------|--------------|
|                      | 2008                           |              | 2009           |              | 2010           |              | 2010                           |              | 2011           |              |
|                      | HK\$'000                       | %            | HK\$'000       | %            | HK\$'000       | %            | HK\$'000                       | %            | HK\$'000       | %            |
| Asia Pacific region: |                                |              |                |              |                |              |                                |              |                |              |
| The PRC              | 168,677                        | 57.8         | 175,718        | 60.7         | 256,089        | 54.6         | 160,163                        | 61.3         | 164,130        | 30.1         |
| Singapore            | 90,312                         | 31.0         | 59,629         | 20.6         | 68,492         | 14.6         | 25,770                         | 9.9          | 32,073         | 5.9          |
| Indonesia            | -                              | -            | -              | -            | 24,720         | 5.3          | 8,652                          | 3.3          | 48,446         | 8.9          |
| Malaysia             | 5,852                          | 2.0          | 3,465          | 1.2          | 25,686         | 5.5          | 21,303                         | 8.2          | 40,413         | 7.4          |
| Thailand             | 9,416                          | 3.2          | 16,306         | 5.6          | 7,717          | 1.6          | 7,054                          | 2.7          | 28,083         | 5.2          |
| India                | -                              | -            | -              | -            | 45,218         | 9.6          | 24,675                         | 9.4          | 64,451         | 11.8         |
| Others               | 15,348                         | 5.3          | 31,155         | 10.8         | 24,610         | 5.2          | 882                            | 0.3          | 5,809          | 1.1          |
| Europe               | 87                             | 0.0          | 1,180          | 0.4          | 12,878         | 2.7          | 9,657                          | 3.7          | 161,765        | 29.6         |
| Others               | 1,951                          | 0.7          | 2,258          | 0.7          | 4,040          | 0.9          | 3,194                          | 1.2          | 117            | -            |
| <b>Total</b>         | <b>291,643</b>                 | <b>100.0</b> | <b>289,711</b> | <b>100.0</b> | <b>469,450</b> | <b>100.0</b> | <b>261,350</b>                 | <b>100.0</b> | <b>545,287</b> | <b>100.0</b> |

The following table sets out the breakdown of our Group's revenue by customers' industries during the Track Record Period:

|                                    | For the year ended 31 December |              |                |              |                |              | Nine months ended |              |          |   |
|------------------------------------|--------------------------------|--------------|----------------|--------------|----------------|--------------|-------------------|--------------|----------|---|
|                                    | 2008                           |              | 2009           |              | 2010           |              | 30 September 2011 |              | 2011     |   |
|                                    | HK\$'000                       | %            | HK\$'000       | %            | HK\$'000       | %            | HK\$'000          | %            | HK\$'000 | % |
| Construction materials             | 142,492                        | 48.9         | 173,204        | 59.8         | 183,509        | 39.1         | 99,543            | 18.3         |          |   |
| Solar energy                       | -                              | -            | -              | -            | -              | -            | 143,190           | 26.3         |          |   |
| Precision machine tool engineering | 63,515                         | 21.8         | 8,692          | 3.0          | 57,792         | 12.3         | 68,008            | 12.5         |          |   |
| Automotive                         | 13,078                         | 4.5          | 31,081         | 10.7         | 50,036         | 10.7         | 89,534            | 16.4         |          |   |
| Electronics/semi-conductor         | 22,408                         | 7.6          | 14,197         | 4.9          | 45,869         | 9.8          | 24,378            | 4.5          |          |   |
| Others                             | 50,150                         | 17.2         | 62,537         | 21.6         | 132,244        | 28.1         | 120,634           | 22.0         |          |   |
| <b>Total</b>                       | <b>291,643</b>                 | <b>100.0</b> | <b>289,711</b> | <b>100.0</b> | <b>469,450</b> | <b>100.0</b> | <b>545,287</b>    | <b>100.0</b> |          |   |

*Note:* The "Others" category relates primarily to the sales via intermediaries and not the ultimate end-customer and hence has not been classified into any industry segment.

---

## BUSINESS

---

### COMPETITIVE STRENGTHS

We believe that the following competitive strengths drive our revenue and distinguish us from our competitors: –

#### **Provision of comprehensive turn-key precision engineering solutions**

We offer the provision of comprehensive turn-key precision engineering solutions for each customer's unique and specific needs from initial concept and design to the manufacturing, installation and testing of products. This can only be achieved by possessing the capability to conceptualize and manufacture customized machine tools to fit our customers' specifications.

We are in a position to utilize the expertise, products and resources of several companies within our Group, if and when required. This enables us to maintain competitive pricing which allows the companies within our Group to maintain highly specialized areas of expertise and technical know-how to better serve our customers.

#### **Experienced and dedicated management team**

Our Group has an experienced and dedicated management team led by our CEO and chairman, Mr. William Wong, comprising our Group's executive Directors and senior management.

Mr. William Wong and Mr. Lim Chwee Heng, our COO, possess 23 and 20 years of experience in relevant industries respectively. Mr. William Wong's background is in mechanical engineering and industrial machinery and equipment and Mr. Lim Chwee Heng's background is in mechanical engineering. Mr. Lim formerly worked for a multi-national information technology company in Singapore. Mr. Sam Wong, our another executive Director, has been with our Group for more than 6 years and possesses a background in senior management including managing investments, business development and marketing and running day-to-day operations in the PRC.

We have developed a cosmopolitan corporate culture through serving customers from not just the PRC but all over the Asia-Pacific region. Moreover, the management team has extensive experience in serving European and other international customers, thus making it more attractive and accessible for potential European and other international partners and customers to do business with our Group, thereby leveraging the benefits of our Group's existing network of customers, suppliers and facilities in the PRC and elsewhere in the Asia-Pacific region.

The management team's experience, expertise and network within the relevant industries have proved invaluable to our Group's continued development and success. The inter-personal relationships established with customers and suppliers throughout the last 15 years have enabled our Group to understand each customer's individual requirements as well as to recognize new market trends and developments to better serve its customer base, successfully service the demands for our goods and services and to identify new opportunities that emerge through the development of new products and services.

### **Highly-proficient and experienced team of professional engineers and technical staff**

Our Group currently employs over 100 full-time engineers and technical staff from a diverse range of engineering disciplines to serve as our engineers and production staff. Areas of their expertise include the fields of precision, software, mechanical, mechatronic and electrical engineering, precision machining, industrial electrical fitting and installation, production planning and control and the programming, operation, maintenance, tooling, scheduling, process-planning, quality control and extraction of CNC machining centres and turning centres. This diverse range of engineering expertise enables our Group to provide our customers with comprehensive turn-key engineering solutions in a variety of industries.

In addition, our engineers and technical teams are led by a number of senior managers who possess years of experience in engineering industries and in managing and operating manufacturing facilities in the Asia-Pacific region. Our factory manager in Shanghai, Mr. Goh Mou Kit, possesses over 20 years management experience and has been employed with our Group since 2004 and our general manager in Shanghai, Mr. Bey Heng Kiem, possesses over 20 years management experience. Mr. Goh and Mr. Bey have formerly worked with Japanese machine tool manufacturers and this has assisted our Group in dealings with our customers whom originate from Japan.

### **Partnership with international machinery producers**

#### *KIWA*

Since 2005, our Group has benefited from a joint venture with KIWA, a Japanese company based in Mie Prefecture, Japan. KIWA was incorporated in 1959 and is principally engaged in the manufacture and distribution of machine tools. Our joint venture arrangement with KIWA has enabled us to tap into its network, technical know-how and experience to collaboratively manufacture under licence vertical computerized numerical control machines centres under the brand names of “KIWA-CW” and “KIWA”.

For further information on our joint venture with KIWA, including the salient terms of the joint venture agreement with KIWA, please refer to paragraph headed “Joint venture with KIWA” below in this section.

#### *DMPG*

Pursuant to a Memorandum of Understanding (“MOU”) dated 27 January 2011, made between CWG and DMPG, the parties have agreed to collaborate to produce and manufacture CNC horizontal machining centres via an original equipment manufacturer arrangement. These CNC horizontal machining centres are part of DMPG’s patented H series of duoBLOCK machines and will enable our Group to diversify our product range from CNC vertical machining centres to horizontal ones. As at the Latest Practicable Date, purchase orders for production have been received by our Group.



---

## BUSINESS

---

DMPG is a market leader in the machine tool business with milling, ultrasonic and lasectec business areas and is a subsidiary of Gildemeister Aktiengesellschaft. According to the Global & China Machine Tool Industry Report 2010-2011 issued by ReseachInChina (Beijing Waterwood), Gildemeister Aktiengesellschaft is one of the key machine tool manufacturers in the world enjoying a global market share of 7.1%. In the first six months of 2011, it achieved a revenue of EUR774.6 million, which was up by 46% from 2010.

### *Pfister*

In 2007, our Group acquired a 51% interest in Tianjin FeiSiTe which has been the official agent and distributor in the PRC since 1995 for a German company, Pfister, in respect of their patented rotor weighfeeder technology which is used in the manufacturing of cement and for coal-fired power plants. Pfister is a global engineering company specializing in weighing and dozing technologies. Pursuant to a letter dated 31 March 2008, Tianjin FeiSiTe was confirmed as the official agent/distributor in the PRC for the cement industry since 1995 in respect of Pfister's patented rotor weighfeeder technology. This letter does not contain any fixed term or date of expiration. As at the Latest Practicable Date, the agency remains valid.

During the Track Record Period, we placed orders to Pfister for our customers in the PRC. We were also responsible for the arrangements of delivery and other logistics with Pfister to ensure proper delivery of the products at the request of our customers. There are no purchase commitments, minimum sales targets, royalty/licence fees and/or service fees between Pfister and ourselves.

### **Proven track record of personalized service, technical support and competitive pricing**

As we are involved from the initial concept and design to the installation and testing of our products, we ensure that we are with our customers at every stage of the manufacturing process to ensure the best quality of service to meet their needs on an on-going basis. This manifests itself in on-site training for our customers' staff together with on-going technical and maintenance support.

By maintaining a strict quality control system and warranty service and by holding discussions and feedback sessions with our customers, we are in a position to identify their on-going needs.

Our Directors place high importance in providing quality goods and services at a competitive price with timely delivery. This is achieved via our commitment to high technical quality, our long term relationships with our customers and suppliers, thus ensuring the implementation of a stringent quality control system. We also maintain sufficient inventories to ensure that we are able to respond and meet the on-going needs and requirements of our customers on time.

### **Diversified customer and supplier portfolio**

Our Group is not dependent upon any one industry, customer nor any one supplier. During the Track Record Period, we served customers in a diverse variety of industries including the precision machine tool engineering, construction materials, electronics/semi-conductor and automotive, oil, gas and marine, aerospace and solar energy. Such diversity in our customer base enables our Group to be

---

## BUSINESS

---

less susceptible to changing market conditions and fluctuations and provides stability to our Group and our operations. Due to the durability and robust nature of machine tools, we are constantly on the lookout for new projects and customers requiring machine tools and automated solutions in industries that we do not presently have a presence.

### **OUR STRATEGY**

Our vision is to continue maintaining and strengthening our market position in the PRC as a precision engineering solutions provider and machine tool manufacturer by developing existing and new markets and expanding internationally.

The major aspects of our strategy are as follows: –

#### **Continuing to develop our business in the high-growth PRC market**

We believe that we are ideally positioned both strategically and geographically to continue to take advantage of the continued growth and expansion of the PRC economy and the resulting demand for capital equipment and precision engineering solutions capabilities. The PRC has achieved consistent growth rates of between 5% to 15% over the past 30 years and has become the world's second largest economy with an average growth rate of 10% for the past three decade. In 2010 the Gross Domestic Product ("GDP") of the PRC was US\$5.87 trillion with a GDP growth of 10.46%.

As the economy in the PRC continues to develop and mature, our Directors believe that there will be an increasing demand for our Group's products and services such as machine tools like CNC machining centres and other precision engineering equipment, such as assembly production lines, components and parts. As the PRC industrial output increases, we believe that our Group will benefit from this trend. The PRC has now become the world market leader in the machine tool industry and this is reflected by a consistent and increasing demand for automated solutions.

As the PRC already consumes nearly half of the world's cement, our Group intends to increase sales and marketing efforts in Tianjin FeiSiTe to meet the PRC's increasing investments in infrastructure projects and the resultant increased demand for construction materials. According to the International Cement Review Global Cement Report 2011 (9th Edition), the PRC consumed 1,851MT of cement in 2010. Through increased international exports, new product development and increased manufacturing and sales of existing products such as rotor weighfeeders, our Directors believe that we can increase the market share of Tianjin FeiSiTe in the PRC and increase our productivity efficiency.

#### **Developing new market opportunities**

It is our Group's intention to expand internationally with a particular focus on Europe and emerging markets such as India. Our relationship with DMPG will enable us to collaborate with a German manufacturer of machine tools and components in order to further enhance our expertise and technical know-how to produce and manufacture CNC horizontal machining centres at competitive prices in the PRC and internationally. The collaboration will also enable our Group to expand and

---

## BUSINESS

---

diversify its product range and broaden the scope of its technical proficiency. Through this OEM arrangement, our Directors believe that further collaborative projects with DMPG will be forthcoming in future. As at the Latest Practicable Date, our Group has received thirteen purchase orders from DMPG and our Directors are preparing our Group's production facilities in anticipation of receiving further orders for mass production.

Our Group is presently considering the feasibility of entering into future collaborative relationships with other international precision engineering manufacturers for mutual strategic benefit through the mutual exchange of technical know-how with the aim of manufacturing machine tools for sale in the PRC and internationally. As at the Latest Practicable Date, our Group has yet to identify any suitable targets for new collaborations. Our Directors believe that as our Group is capable of producing and manufacturing customized precision engineering components and parts that possess multiple manufacturing applications, our Group will continue to receive orders to serve the manufacturing requirements for a wide-range of diverse industries.

Since our Group targets such diverse industries such as the precision machine tool engineering, construction materials, electronics/semi-conductor, aerospace, oil, gas and marine, and automotive, it is our Directors' belief that as technological advancements develop within these industries, opportunities will arise for our Group to develop into new areas of applications, platforms and products with the increasing demand for automated solutions. Our Directors believe that the use of machine tools such as CNC machining centres in modern day manufacturing applications is set to become more prevalent as companies and industries seek to maximize productivity and flexibility efficiency whilst reducing their long-term production costs.

It is our Directors' intention to increase sales and marketing efforts in both the PRC and overseas in industries with high growth potential such as precision machine tool engineering, automotive and the aviation sectors in the PRC as well as the oil, gas and marine and aerospace industries in Singapore.

### **Strengthening our existing market position**

#### *Increasing sales and marketing efforts in industries with high-growth potential*

We anticipate an increasing demand for our products and services in industries with high-growth potential, such as the aviation, oil, gas and marine, construction materials, and automotive industries. Our Group intends to increase its sales and marketing efforts to customers in those sectors as well as to enhance operational support, such as project management and after-sales technical support services, by setting up additional technical support teams, particularly in the PRC.

#### *Expanding our production facilities and capacities in the PRC and implementing the Enterprise Resource Planning (ERP)*

We intend to increase our productivity output by increasing both the number and range or variety of CNC machining centres that we currently manufacture. Our expansion plan includes: (i) enlarge the production facilities in Shanghai and Tianjin through further leasing. As at the Latest Practicable

---

## BUSINESS

---

Date, we have not yet identified any suitable locations; (ii) purchasing new machinery to enhance our production efficiency and output; and (iii) employing more employees in Shanghai and Tianjin respectively to enhance product development and increase productivity.

Our Directors expect to double our overall production capacities following the implementation of the above expansion plan in full.

Internally, we plan to computerize our daily operational information flow through the ERP. This will integrate both our external and internal management information across our group of companies making it more efficient to coordinate and access information such as manufacturing, project management and customer relationship details, as well as providing a common database for our financial, accounting and human resources departments.

### *Achieving further growth through acquisitions, joint ventures and strategic alliances*

To further our growth, we intend to expand our capabilities and reach through acquisitions, joint ventures and/or strategic alliances with targeted companies that could provide synergies with our core businesses. These may include companies that manufacture products which we distribute and/or provide services similar to our Group. In addition to achieving economies of scale, such acquisitions, joint ventures and/or strategic alliances would expand our network of customers by increasing distribution channels.

As at the Latest Practicable Date, our Group has established a strategic collaboration with DMPG to produce and manufacture a series of CNC horizontal machining centres for the PRC market. In particular, we intend to capitalize upon the high economic growth in India by providing products and services there. The collaboration with DMPG will improve the technical know-how that our Group can offer to our customers. Through acquisitions and strategic alliances, our Group intends to continue to enhance our technologies, and the products and services we can offer, by targeting certain established medium-sized high-tech machine tool companies in Europe that will be able to add value to our Group's operational abilities.

## PRODUCTS AND SERVICES OVERVIEW

Our business consists of the following five segments:-

### **1. Precision Engineering Solutions Projects**

We provide our customers with comprehensive and integrated precision engineering solutions by conceptualizing, designing and assembling production lines in accordance with their unique manufacturing specifications. With the extensive engineering knowledge of our engineers and technical staff, we are able to handle different kinds of engineering projects from simple production modules to full-set assembly production lines and even large scale production plants.

---

## BUSINESS

---

This turn-key process includes the procurement of components and equipment to undertake the assembly of these production lines. Depending on the requirements of our customers and via our Group's extensive network of international suppliers, we are able to offer our customers a unique variety of different components at varying prices based on their production needs. To enhance cost efficiency, we also manufacture our own precision engineering components and parts. For instance, depending on the type of specialized skills required, there may be circumstances where we procure semi-finished components and modules from our suppliers. Similarly, for customers who already possess existing production lines, we undertake the integration of the new production line technology with their existing production lines via sub-assembly.

During the Track Record Period, we carried out precision engineering solutions projects to facilitate our customer's specific manufacturing requirements such as purchasing and installation of CNC vertical machining centres and turning machines. We assigned our technical staff to the projects to work closely with our customers to test and fine tune the new assembly line following installation and assembly. Additional components and parts were then sourced from suppliers to fit the precise specifications of our customers. Our value-added services included a wide-range of technical testing such as the testing of positional accuracy, repeatability accuracy, and ensuring that all the components and parts were the exact and precise measurements as specified by our customers through various geometry checks. The testing carried out by our technical staff has to be precise to the millimeter and various simulation testings are also conducted. Test-cut reports were also prepared by our technical staff to confirm that the measuring positions were precisely configured for our customers' purposes. We also provided training to our customers on how to use the software we integrated and the hardware we installed. Following completion, after-sales services were provided to our customers under the warranties provided to us by our suppliers.

Due to the nature of our business and the technical expertise of our engineers and technical staff we are able to provide such precision engineering solutions to different industries.

As a one-stop shop for our customers, the provision of our precision engineering solutions enables our customers to maximize their cost effectiveness, to minimize their turnaround time and to ensure fitness for purpose of their final products. For further details on the operational process of our provision of precision engineering solutions, please refer to "Production" later in this section.

### **2. Sale of Cement Production Equipment**

Under the brand name "菲斯特", our Group manufactures, assembles and supplies cement production equipment and components including clinker coolers, flow control gates and rotor weighfeeders to our customers in the construction materials industry, particularly those involved in cement production.

On 22 December 2009, Tianjin FeiSiTe was awarded the title 高新技術企業 (high-technology company).

### Clinker coolers

In cement production, the objective of the kiln operation is to make clinker that possesses the requisite chemical and physical properties at the maximum capacity that the kiln will permit and at the lowest possible operating cost whilst controlling the kiln's emissions. This process is called pyroprocessing and is the most energy-intensive part of the cement production process. Pyroprocessing is the process in which materials are subjected to high temperature of approximately 1,400°C in order to cause the required chemical and/or physical alteration to their innate properties by cooling the clinker by ambient air supplied by a forced or natural draft supply system that passes through the clinker and into the kiln for use as combustion air.

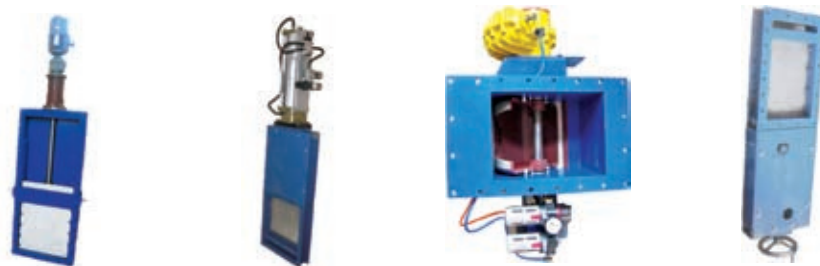
The kiln discharges red-hot clinker under intense temperature into a clinker cooler. The clinker cooler recovers heat from the clinker and returns the heat to the pyroprocessing system thus reducing fuel consumption and improving energy efficiency. This cooling operation recovers up to 30% of the cement kiln's heat, preserves the ideal product qualities and enables the cooled clinker to leave the clinker cooler at a temperature conducive to being maneuvered by standard conveying equipment. This exothermic reaction produces lumps or nodules which are then ground up to a fine powder to produce cement.

The most common types of clinker coolers are reciprocating grate, planetary and rotary. Our Group has successfully registered seven patents in the PRC in respect of our clinker coolers which employ the Stepped Air Flow Function and Four Joints Mechanism utility model. Please refer to the subsection headed "Intellectual Property" in this section for more details.

### Flow Control Gates

Our Group manufactures, assembles and supplies flow control gates to our customers. These are available in different technical specifications and can be customized to meet customer requirements. Whilst they can be manually operated they are typically equipped with an electro pneumatic controller.

Flow control gates are used in cement production whenever bulk solids have to be discharged from silos in a metered and controlled manner. Flow control gates ensure an unrestricted flow through in the manufacturing process.



### Rotor Weighfeeders

In the cement burning process, pulverized fuels such as coal, petrol-coke and lignite are stored in a storage silo for installation and kiln feeding in a controlled mixture. The rotor weighfeeder supports the production process by providing high precision dosing of pulverized fuels. The fuels are fed into a pneumatic conveying line to the main or calcination kiln. The rotor weighfeeder allows in-line blending of a number of fuels into one common fuel feeding line. It offers a compact system providing accuracy and consistency in the cement production process by the integration of material extraction, weighing, dosing, data acquisition and material transfer into a pneumatic conveying line. The rotor weighfeeder is powered by a pro-active control strategy. The result is a high constant material flow at the discharge point making it possible to achieve highest short and long-term accuracy even within a large feed range. Rotor weighfeeders thus create a complete metered feeding system making it possible for a metered feeding of practically all free-flowing, powdery to granular bulk materials used in all process stages of cement production.

Apart from our self-manufactured “菲斯特” brand rotor weighfeeder, we are also the official agent and distributor of “Pfister” brand rotor weighfeeder in the PRC. Tianjin FeiSiTe has been the official agent and distributor for the “Pfister” brand in the PRC since 1995. For the three years ended 31 December 2008, 2009, 2010 and the nine months ended 30 September 2011, our gross profit received from selling “Pfister” brand rotor weighfeeder amounted to approximately HK\$8.7 million, HK\$2.4 million, HK\$3.6 million and HK\$0.2 million respectively.

During the Track Record Period, with respect to cement production equipment, the percentage of revenue contributed from self-manufactured products and outside purchased products was approximately 55.7% and 44.3%, 83.0% and 17.0%, 79.5% and 20.5%, as well as 98.7% and 1.3% respectively.

### **3. Sale of CNC Machining Centres**

Pursuant to our exclusive licence agreement with KIWA dated 30 June 2005 (the “Licence Agreement”), our Group designs and manufactures high precision automated CNC vertical machining centres. These products are manufactured under the brand names of “KIWA-CW” and “KIWA”, and through KIWA-CW (Shanghai), sold to various customers in the electronics/semi-conductor, aerospace, oil, gas and marine, die mould manufacturing, automotive and precision machine tool engineering industries both within the PRC and overseas. KIWA-CW (Shanghai) is a jointly-controlled entity established by us and KIWA. For details of the structure and history KIWA-CW (Shanghai), please refer to the section headed “Company History and Reorganization” in this prospectus.



---

## BUSINESS

---

We manufacture and sell to our customers standard model of CNC vertical machining centres. We are also able to deliver customized CNC machining centres that are unique to each customers' individual specifications and precision engineering requirements. Our Directors believe that this ability distinguishes our Group from other competitors who may produce standard CNC machining centres without unique functions custom designed for each customer's manufacturing use and application.

CNC machining centres offer automatic, precise and consistent motion control in the manufacturing process by enabling motions to be commanded through programmed commands interpreting mathematical or numeric data input. They provide accurate repeatability specifications through automation in the manufacturing process and reduce or eliminate operator intervention and by improving production efficiency and time, reducing human error and enhancing manufacturing flexibility. The results of CNC automation provide our customers with consistent, accurate and predictable manufacturing solutions.

Apart from the self-manufactured "KIWA-CW" and "KIWA" brand products, our Group also trades CNC machining centres of various third party brands to its customers in the aerospace, oil, gas and marine, automotive and precision engineering industries. Some of these trading of CNC machining centres from third party brands were made under agency arrangements. For details, please refer to the subsection headed "Products and equipment sold under agency arrangements" in the section headed "Business" in this prospectus. This process involves discussions with our customers to understand their manufacturing processes and requirements and then recommending the appropriate machine tools that will achieve these goals. For instance, our Group also sources CNC horizontal machining centres from KIWA for our customers which require them.



We provide our customers with products of high-quality standards. On 27 April 2000, our Group obtained International Organization for Standardization accreditation ISO9002: 1994 which was awarded to CWG by DNV Certification B.V., The Netherlands for machining and fabrication of mechanical components. This certification has been amended subsequently, as our Group currently conforms to ISO 9001: 2008 for design, manufacture and assembly of precision components and supply of related space parts and is valid until 30 January 2014. On 10 January 2011, KIWA-CW (Shanghai) was certified in meeting the requirements of GB/T 19001-2008/ISO 9001:2008 standard by China Great Wall Quality Assurance Centre for quality management system in the manufacturing and service of machining center with three axes and above simultaneous controls. This certification is valid until 9 January 2014.



---

## BUSINESS

---

During the Track Record Period, with respect to CNC machining centres, the percentage of revenue contributed from our self-manufactured products and outside purchased products was approximately 73.4% and 26.6%, 70.8% and 29.2%, 71.7% and 28.3%, as well as 78.3% and 21.7% respectively.

#### 4. Sale of Components and Parts

Our Group manufactures and distributes components in accordance with our customers' individual and unique specifications and requirements. These components are supplied to customers in the electronics/semi-conductor, aerospace, oil, gas and marine, automotive and precision machine tool engineering industries respectively.

Examples of accessories that we sell include, but are not limited to, machine tool columns, machine tool beds, pallet changers, machine tools carriage and machine tool saddles.



Machine tool bed



Pallet changer



Machine tool carriage

Our Group also provides machine tool sub-assembly whereby we assemble components into semi-finished machine tools as part of our precision engineering precision engineering solutions services.

In determining whether our Group manufactures components itself or purchases from our suppliers, we use to consider a number of criteria including (i) our capability to manufacture such components; (ii) our production capacity; (iii) cost-efficiency; and (iv) whether we receive a customer's request for a specific part from a specific manufacturer. In the event that we purchase the components from our suppliers and sell them to our customers for the purpose of certain precision engineering solutions projects, the turnover derived from such sales will be duly recorded under the business segment of precision engineering solutions services.

For components and parts manufactured by our Group, major raw materials are sourced by our Group in the PRC due to the close proximity with our production facilities in the PRC.

We are able to provide our customers in the electronics/semi-conductor industry with supply chain solutions by sourcing materials and components. We also conduct on behalf of our customers quality control checks and provide logistical support such as transportation and delivery services.

---

## BUSINESS

---

We also source plastic injection moulding machines to make common plastic parts for those customers who require them. These machines are manufactured by third party manufactures and are commonly used in the manufacture of automotive parts, mobile telephones, and desktop and laptop computers.

In 2011, our Group secured orders to source and supply components and parts, namely photovoltaic modules to our customers for their constructions of photovoltaic plants. Such sales are trading in nature, order-driven and non-recurring. They did not involve manufacturing nor incurring of any capital expenditure. Our Directors do not have any intention currently for the proceeds from the Global Offering to be applied to establish joint ventures and/or strategic alliances in the solar energy industry.

During the Track Record Period, with respect to components and parts, the percentage of revenue contributed from our self-manufactured products and outside purchased products was approximately 36.6% and 63.4%, 49.7% and 50.3%, 35.9% and 64.1%, as well as 2.5% and 97.5% respectively.

### **5. Provision of Comprehensive Maintenance and After-Sales Technical Support Services**

To complement our Group's business segments and as part of our Group's strategy to maintain connectivity with its customers, our Group offers our customers comprehensive maintenance and after-sales technical support services. Our Group is also engaged by our customers on an annual retainer basis to provide support and maintenance services.

### **Pricing Policy**

For precision engineering solutions projects, the production of customized CNC machining centres and cement production equipment and the components and parts, we typically adopt a cost plus basis in determining the selling prices to our customers. For the production of standard model CNC machining centres and cement production equipment, the selling prices are determined based on prevailing market rates. For after-sales technical support services, we generally charge our customers a standard fee on an annual basis.

---

## BUSINESS

---

### PRODUCTS AND EQUIPMENT SOLD UNDER AGENCY ARRANGEMENTS

As at the Latest Practicable Date, we had agency arrangements with 11 manufacturers, including:–

| Name of Manufacturer    | Period of Appointment                     | Manufacturer's Country of Origin | Types of Product                       | Exclusive or non-exclusive                                  |
|-------------------------|---|----------------------------------|--|---|
| KIWA Machinery Co., Ltd | Open                                      | Japan                            | Machine Tools                          | exclusive   |
| FL Smidth Pfister GmbH  | Open since 1995                           | German                           | Rotor weighfeeders                     | non-exclusive   |
| Company A               | Open since<br>2 July 2008                 | Spain                            | Machine Tools                          | non-exclusive   |
| Company B               | 1 year<br>(1 Jan 2012 –<br>31 Dec 2012)   | Japan                            | Machine Tools                          | exclusive (except<br>compressor &<br>Japanese<br>customers) |
| Company C               | Open since<br>25 May 2004                 | Japan                            | Machine Tools                          | non-exclusive   |
| Company D               | Open                                      | Japan                            | Machine Tools                          | non-exclusive   |
| Company E               | Open since<br>30 June 2008                | Swiss/German                     | Machine Tools                          | non-exclusive   |
| Company F               | Open                                      | Swiss                            | Machine Tools                          | non-exclusive   |
| Company G               | 10 years<br>1 Jan 2008 –<br>1 Jan 2018    | PRC                              | Plastic Injection<br>Moulding Machines | exclusive   |
| Company H               | 1 year<br>(1 Aug 2011 –<br>31 July 2012)  | Japan                            | Machine Tools                          | non-exclusive   |
| Company I               | 2 years<br>30 June 2010 –<br>30 June 2012 | Italy                            | Machine Tools                          | exclusive   |

We have been appointed by a number of machinery manufacturers as their authorized agents (either on an exclusive or non-exclusive basis). The scopes of these agencies vary from manufacturer to manufacturer. Under these agency arrangements, we typically place orders with the machinery manufacturers upon receipt of our customers' orders and upon the selection of the most appropriate machines to suit the customers' needs. We typically deal and correspond with the customers and the manufacturers to address all technical and engineering enquiries and provide maintenance services and

---

## BUSINESS

---

technical support. This also includes the provision of components and parts for maintenance purposes. We typically negotiate with the manufacturers once the suitability has been assessed and confirmed and separately negotiate with the customers on the provision of technical services such as installation services, and the setting up and commissioning of turn-key production lines. Depending on the nature of the technical work required to be performed, and when dealing with complex technical issues, those manufacturers may on occasion provide one or two of their own technical staff and engineers to work in conjunction with our own technical staff and engineers to jointly provide technical services. Once these services have been duly provided, our technical staff and engineers will assume the responsibility of providing technical and maintenance services. Upon entering into these agency arrangements, our Group becomes responsible for dealing with technical and engineering enquiries and support on behalf of the manufacturers. This enables us to have close on-site interactions with our customers. Moreover, by being appointed as an agent to these manufacturers, we are able to have direct access to the manufacturers when placing orders instead of having to deal with their authorized agents and/or sales representatives. The manufacturers appoint us because we possess the requisite expertise and capabilities required in the manufacture of their products. Under these agency agreements there are no minimum purchase commitments prescribed.

During the Track Record Period, no revenue from our agency arrangements was attributable to our sales of components and parts in the solar energy sector.

For the purposes of revenue and cost recognition, we recognize the gross revenue of each order made by our customers whereas the relevant purchase costs of machinery paid to these manufacturers are recorded as our cost of goods sold. The prices are determined on cost-plus basis after taken into consideration our customers' specific requirements and the range of value-added services that we are required to provide. We do not receive any commission income under our agency arrangements.

We provide warranties to our customers for products sold which are covered by similar warranties given to us under our contracts with the manufacturers. In the event that a claim under warranty comes to light after we have sold the products on to our customers, we may recoup any losses incurred by us from the manufacturers.

Set out below is the revenue attributable to the agency arrangements by business segments during the Track Record Period:

|  | For the year ended |                   |                   | For the           |
|--|--------------------|-------------------|-------------------|-------------------|
|  | 31 December        |                   |                   | nine months       |
|  | 2008               | 2009              | 2010              | ended             |
|  | <i>HK\$'000</i>    | <i>HK\$'000</i>   | <i>HK\$'000</i>   | 30 September      |
|  |                    |                   |                   | 2011              |
|  |                    |                   |                   | <i>HK\$'000</i>   |
| Precision engineering solutions projects | 41,197             | 38,376            | 30,835            | 4,996             |
| Sales of cement production equipment     | 55,892             | 25,029            | 36,533            | 1,222             |
| Sales of CNC machining centers           | —                  | 3,288             | —                 | —                 |
|  | <u>          </u>  | <u>          </u> | <u>          </u> | <u>          </u> |
| Total:                                   | <u>97,089</u>      | <u>66,693</u>     | <u>67,368</u>     | <u>6,218</u>      |

---

## BUSINESS

---

The revenue attributable to the agency arrangements during the Track Record Period was approximately HK\$97.1 million, HK\$66.7 million, HK\$67.4 million and HK\$6.2 million respectively. The decrease of revenue attributable to the agency arrangements during the nine months ended 30 September 2011 was primarily due to no matches from customer requirements in that period to the machines in respect of which we had agency arrangements. The gross profit attributable to the agency arrangements during the Track Record Period was approximately HK\$19.2 million, HK\$13.2 million, HK\$11.4 million and HK\$2.2 million respectively. The fluctuations in gross profit during the Track Record Period was mainly in line with the revenue from these sales with agency arrangements. The gross profit margin during the Track Record Period was 19.8%, 19.7%, 16.9% and 35.5% respectively. The gross profit margins were relatively comparable aside from the higher gross profit margin for the nine months ended 30 September 2011, which was primarily because of a precision engineering solutions project that had a higher gross profit margin due to the higher value-add requirements.

### Seasonality

During the Track Record Period, we typically record higher sales in the second half of our financial year. This was primarily due to the annual budget cycle of our customers, the time of delivery of our products and services, as well as refurbishments undertaken during the year end shutdown.

The breakdown of turnover in the first half and the second half of each of the three years ended 31 December 2008, 2009 and 2010 is as follows –

|  | <b>Year ended 31 December</b> |             |             |
|--|-------------------------------|-------------|-------------|
|  | <b>2008</b>                   | <b>2009</b> | <b>2010</b> |
| Percentage of sales generated from the first half of the year  | 38.1%                         | 36.9%       | 38.3%       |
| Percentage of sales generated from the second half of the year | 61.9%                         | 63.1%       | 61.7%       |

### *Gross profit and gross profit margin*

The following tables show the breakdown of our Group's gross profit and gross profit margin by seasonality during the Track Record Period:

#### Gross profit by seasonality

|                         | <b>2008</b>          |                     | <b>2009</b>           |                     | <b>2010</b>           |                     |
|-------------------------|----------------------|---------------------|-----------------------|---------------------|-----------------------|---------------------|
|                         | <i>HK\$'000</i>      | %                   | <i>HK\$'000</i>       | %                   | <i>HK\$'000</i>       | %                   |
| First half of the year  | 27,124               | 29.1                | 39,321                | 37.6                | 58,566                | 40.3                |
| Second half of the year | <u>66,109</u>        | <u>70.9</u>         | <u>65,373</u>         | <u>62.4</u>         | <u>86,678</u>         | <u>59.7</u>         |
| <b>Total</b>            | <b><u>93,233</u></b> | <b><u>100.0</u></b> | <b><u>104,694</u></b> | <b><u>100.0</u></b> | <b><u>145,244</u></b> | <b><u>100.0</u></b> |

---

## BUSINESS

---

### Gross profit margin by seasonality

|                         | 2008  | 2009  | 2010  |
|-------------------------|-------|-------|-------|
| First half of the year  | 24.4% | 36.8% | 32.5% |
| Second half of the year | 36.6% | 35.8% | 29.9% |
| For the year ended      | 32.0% | 36.1% | 30.9% |

We generally have a higher gross profit margin for the first half of the year except for the year 2008 given that our sales are typically recorded in the second half of the year aside from sales of cement production equipment which is comparatively more evenly spread during the year. Since our sale of self-manufactured cement production equipment commands a higher gross profit margin and generally contributes more to our gross profit margin for the first half of the year, our gross profit margin was higher in the first half of the year for 2009 and 2010. The lower gross profit margin for the first half of the year in 2008 was attributable mainly to our recording of trading of CNC machining centres which commanded a lower gross profit margin. Furthermore, this was coupled with higher after-sales services, which commands a higher gross profit margin, being recorded in the second half of the year and a higher proportion of our sale of cement production equipment was under agency arrangements in 2008.

### Joint venture with KIWA

Our joint venture partner, KIWA, was established in 1959 and has been manufacturing machining centres since 1980. Our joint venture with them enables us to benefit from their technical know-how and experience. Our Licence Agreement with KIWA provides a basis for the exchange of technical information and specifications for the manufacture of CNC machines and training of technical staff in both Shanghai and Japan.

Pursuant to a joint venture agreement dated 1 June 2005, KIWA-CW was established in Singapore. KIWA-CW is a jointly-controlled entity owned by KIWA (an entity incorporated in Japan) and CW Tech (a wholly-owned subsidiary of our Group) as to 50% and 50% respectively. KIWA-CW is an investment holding company holding the entire equity interest of KIWA-CW (Shanghai), which is a manufacturing base of the KIWA-CW Group in Shanghai and is responsible for producing CNC machining centres under the brand names of “KIWA-CW” and “KIWA”.

Pursuant to the Licence Agreement, KIWA-CW (Shanghai) is entitled to, inter alia: –

- (1) an exclusive and non-transferable right and licence to produce CNC vertical machining centres and a licence for the use of the relevant trademarks in the PRC in order to label, sell and advertise the CNC vertical machining centres; and
- (2) all information and knowledge in KIWA’s possession necessary to produce the said CNC vertical machining centres including the technical training of employees and dispatch of KIWA’s engineers or specialists upon KIWA-CW (Shanghai)’s request.

---

## BUSINESS

---

In consideration thereof, we pay KIWA with respect to model Triple V2li-S: –

- (1) 150,000 Japanese Yen per machine for the first five sold or otherwise disposed of in each month; and
- (2) 120,000 Japanese Yen per machine sold or otherwise disposed of subsequently in that month.

By an amendment to the Licence Agreement dated 20 June 2008, it was agreed that in consideration thereof, we pay KIWA with respect to model KCW-10V:–

- (1) 40,000 Japanese Yen per machine for the first five sold or otherwise disposed of in each month; and
- (2) 30,000 Japanese Yen per machine sold or otherwise disposed of subsequently in that month.

On 21 December 2009, pursuant to an amendment to the Licence Agreement, it was agreed that in respect of KIWA's vertical machining centre model Triple V2li-S, KCW-10V and KCW-5V that the running payment of royalty shall be 30,000 Japanese Yen per machine sold or otherwise disposed of in a month. This amendment took effect on 1 January 2010.

Our cooperation with KIWA enables our engineers and technical staff to keep up to date with the technical skills in the machine tool industry and to remain at the forefront the latest technological developments. During the Track Record Period, the licence fees paid to KIWA amounted to nil, nil, HK\$0.2 million and HK\$0.2 million respectively. KIWA had voluntarily waived its royalties under the Licence Agreement dated 30 June 2005 for the financial years ended 31 December 2008 and 2009 respectively after taking into consideration the fact that the financial performance of KIWA-CW did not reach the desired expectation.

### **Transactions between our Group and KIWA**

KIWA and the KIWA-CW Group supply parts and components to each other to satisfy their own respective production needs. Also, the KIWA-CW Group paid royalty expenses in accordance with the Licence Agreement with KIWA. Our Group through our wholly-owned subsidiary, CW Advanced Technologies, sourced from KIWA certain models of CNC machining centres which we did not manufacture on our own upon request from our customers.

---

## BUSINESS

---

The following table sets out the transactions between our Group (including the KIWA-CW Group) and KIWA during the Track Record Period:

|                                    | Year ended 31 December |                 |                 | Nine months ended<br>30 September |                 |
|------------------------------------|------------------------|-----------------|-----------------|-----------------------------------|-----------------|
|                                    | 2008                   | 2009            | 2010            | 2010                              | 2011            |
|                                    | <i>HK\$'000</i>        | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i>                   | <i>HK\$'000</i> |
| <b><i>Sales to KIWA:</i></b>       |                        |                 |                 |                                   |                 |
| CW Advanced Technologies           | 10                     | –               | –               | –                                 | –               |
| KIWA-CW Group                      | 6,603                  | 1,659           | 1,217           | 881                               | 2,257           |
| <b><i>Purchases from KIWA:</i></b> |                        |                 |                 |                                   |                 |
| CW Advanced Technologies           | 33                     | 2,289           | –               | –                                 | –               |
| KIWA-CW Group                      | 104                    | 166             | 327             | 140                               | 742             |

Sales to KIWA by KIWA-CW (Shanghai) mainly relate to the sale of fabricated components and parts. The decreasing trend during the Track Record Period is mainly due to the increase in orders for KIWA-CW's CNC machining centres. As a result, KIWA-CW (Shanghai) had to divert more of the fabrication for its own production requirements. The increase in sales to KIWA by KIWA-CW (Shanghai) for the nine months ended 30 September 2011 by approximately HK\$1.4 million from approximately HK\$0.9 million for the nine months ended 30 September 2010 to approximately HK\$2.3 million was largely due to increase in sales of fabricated components and parts.

Purchases from KIWA relate to the purchase of key components and parts required in the production of "KIWA-CW" brand CNC machining centres as well as KIWA's model of CNC horizontal machining centres. There is an increasing trend in the purchases from KIWA by KIWA-CW (Shanghai) due to the increasing orders during the Track Record Period which necessitated increased purchase of key components and parts required for KIWA-CW (Shanghai)'s production. The purchases from KIWA was higher in 2009 as it included the purchase of 4 units of KIWA's CNC horizontal machining centres amounting to approximately HK\$2.3 million.

Our Group's interests in the revenue of the jointly-controlled KIWA-CW Group, which are accounted for using proportionate consolidation with the line-by-line reporting format, during the Track Record Period were approximately HK\$17.5 million, HK\$8.8 million, HK\$34.4 million and HK\$40.4 million respectively. During the Track Record Period, our Group's interests in the net profit/(loss) position of KIWA-CW Group was approximately HK\$(0.6) million, HK\$(1.8) million, HK\$2.4 million and HK\$2.0 million respectively.

### **New IFRS 11 Joint Arrangements**

The new IFRS 11 Joint Arrangements will become effective in 2013. Upon the adoption of new IFRS 11, there will not be significant financial impact other than presentation of the combined statement of comprehensive income, combined statement of financial position and combined statement of cashflow. We have adopted the proportionate consolidation method to account for our jointly-



---

## BUSINESS

---

controlled entities, namely KIWA-CW and KIWA-CW (Shanghai) during the Track Record Period. Proportionate consolidation involves the venturer combining on a proportionate basis its share of the assets, liabilities, income and expenses of the jointly-controlled entity of similar items, line by line. When equity method, as required by the new IFRS 11, is adopted, the results of the jointly-controlled entities will be equity accounted. This will result in individual revenue and expense lines in the combined statement of comprehensive income to decrease and a separate line “share of results of jointly-controlled entities” to be included. The profit after taxation will not be affected. Correspondingly, the current assets and liabilities and non-current assets and liabilities attributable to the jointly-controlled entities will be consolidated under the line “Investments in jointly-controlled entities”. The financial impacts on the combined statements of comprehensive income and financial position have been included in Note 17 to the Accountants Report in Appendix I to this prospectus.

### **DMPG**

Pursuant to a Memorandum of Understanding dated 27 January 2011 made between CWG and DMPG, the parties agree to collaborate to produce and manufacture CNC horizontal machining centres via the OEM arrangement. These CNC horizontal machining centers are part of DMPG’s patented H series of duoBLOCK machines.

Following the execution of the Memorandum of Understanding, purchase orders have been received by our Group for production of components and parts. We are responsible for sourcing and manufacturing certain agreed specified contractual items such as casting parts under OEM arrangements on behalf of DMPG. We are also responsible for transportation and delivery of these contractual items. A warranty period of 24 months from the installation of the machines has been agreed, and in any event not later than 30 months from the date of invoice. The warranty covers defective parts, including working and travelling costs for change of components. We have to strictly adhere to the drawings, test reports and standards set by DMPG in respect of the items to be manufactured. During the period ended 30 September 2011, revenue generated from this collaboration amounted to approximately HK\$0.4 million.

To facilitate the orders from DMPG regarding this collaboration, our Group has leased larger production facilities in Shanghai situated at No.4191 Longwu Road, Minghang District, Shanghai, PRC, the gross floor area of which is 2,598 sq. m.. Pursuant to a lease agreement dated 17 October 2011, the lease is valid for a term from 1 November 2011 to 31 December 2016.

### **PRODUCTION FACILITIES**

Our Group’s production facilities are based in Shanghai and Tianjin on leased premises. Our existing production facilities in Shanghai are mainly for the production of machine tools such as CNC machining centres and accessories such as components and parts, while our existing production facilities in Tianjin are mainly for the production of rotor weighfeeders and other cement production equipment for the cement materials industry.

---

## BUSINESS

---

### Shanghai

Situated at No.I Workshop, Block 17, No.260 Liancao Road, Minhang District, Shanghai, PRC, the two production sites in Shanghai have a gross floor area of 2,595.01 sq. m. and 1,431.06 sq.m. respectively. The two leases both commenced on 19 January 2005 and are both for a term of 10 years.

The two leases have been obtained by allocation (劃撥) but no approval has been obtained from the relevant PRC authorities for such leases. According to Article 44 of “Provisional Regulations of the PRC Concerning the Grant and Assignment of the Right to Use State Land in Urban Areas” (《中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例》) promulgated by the State Council of the PRC, no transfer, leasing or pledge of the land use rights obtained by allocation (劃撥) is allowed unless prior approvals are obtained from the relevant governmental authorities. Pursuant to Article 52 of the Contract Laws of the PRC (《中華人民共和國合同法》) any contract which violates any laws or mandatory regulations of the PRC shall be invalid and unenforceable as a result of the breach. In the event of any dispute between our Group and the landlord, the court may declare the relevant lease(s) to be invalid. In such an event, our Group would have to relocate our production facilities to alternative premises which would cost approximately HK\$2.3 million. As we would need approximately two months for such possible vacation/relocation, we estimate our loss of revenue to be approximately HK\$6.2 million.

To facilitate the orders from DMPG, our Group has leased the production facilities in Shanghai situated at No.4191 Longwu Road, Minghang District, Shanghai, PRC, the gross floor area of which is 2,598 sq. m.. The lease was signed on the 17 October 2011 and is valid from 1 November 2011 to 31 December 2016.

### Tianjin

Situated at No.39 North of Jinba Road, Beichen District, Tianjin, PRC the leased production site has a gross floor area of 1,220 sq.m..

### Production capacity and utilization rate

The utilization rates of our production facilities during the Track Record Period are as follows:

### Machine capacity and utilization

#### *Capacity computation*

|                           | For the year ended 31 December |               |               | For the<br>nine months<br>ended |
|---------------------------|--------------------------------|---------------|---------------|---------------------------------|
|                           | 2008                           | 2009          | 2010          | 30 September<br>2011            |
| Machining Hours           | 11,616                         | 11,616        | 11,616        | 8,712                           |
| Assembly Hours (Shanghai) | 37,171                         | 33,880        | 46,464        | 58,608                          |
| Assembly Hours (Tianjin)  | <u>78,144</u>                  | <u>92,928</u> | <u>71,808</u> | <u>58,608</u>                   |

---

## BUSINESS

---

### *Utilization computation*

|                                    | For the year ended 31 December |               |               | For the<br>nine months<br>ended<br>30 September |
|------------------------------------|--------------------------------|---------------|---------------|---|
|                                    | 2008                           | 2009          | 2010          | 2011  |
| Machining Hours                    | <u>6,912</u>                   | <u>6,779</u>  | <u>10,648</u> | <u>7,986</u>                                    |
| Utilization rate ( <i>note 3</i> ) | <u>59.5%</u>                   | <u>58.4%</u>  | <u>91.7%</u>  | <u>91.7%</u>                                    |
| Assembly Hours (Shanghai)          | <u>22,080</u>                  | <u>14,400</u> | <u>38,400</u> | <u>54,720</u>                                   |
| Utilization rate ( <i>note 3</i> ) | <u>59.4%</u>                   | <u>42.5%</u>  | <u>82.6%</u>  | <u>93.4%</u>                                    |
| Assembly Hours (Tianjin)           | <u>73,968</u>                  | <u>88,032</u> | <u>64,757</u> | <u>52,512</u>                                   |
| Utilization rate ( <i>note 3</i> ) | <u>94.7%</u>                   | <u>94.7%</u>  | <u>90.2%</u>  | <u>89.6%</u>                                    |

The utilization rate of our production facilities in Shanghai was relatively low in 2008 and 2009 mainly because we have only commenced our own production since 2005 and we were then still in the process of developing our own brand name.

*Notes:*

1. Annual production capacity for CNC machining centres, clinker coolers and flow control gates is calculated on the basis of eight working hours per working day and 22 working days per month.
2. Annual production capacity for components is calculated on the basis of 22 machining hours per working day and 22 working days per month.
3. The utilization rates are based on our Group's internal production records for the relevant assembly hours and machining hours used.

## PRODUCTION

The operational process for projects where we are required to provide turn-key precision engineering solutions to our customers is as follows: –

### Concept and design

When our customers notify us of their intention to either set up an assembly production line or modify and/or enhance their existing production lines, our engineers will engage and conduct a detailed feasibility study prior to providing a suitable concept and design in line with that customer's

---

## BUSINESS

---

unique specifications and budget. Our engineers will advise and make recommendations to improve production efficiency and costs, and this will usually involve a number of meetings together with a number of discussions and feedback sessions prior to commencement of work.

### **Sourcing and manufacturing of components/systems/equipment**

Once our customer has approved our concept and design, the appropriate components and equipment will be sourced and procured through our network of suppliers or manufactured in-house. Those machines/systems/components that are manufactured by our suppliers are produced and checked by them prior to direct delivery to our customers to ensure exact conformity with the specifications agreed.

### **Installation**

Upon delivery to our customers, our experienced team of engineers and technical staff, together with the engineers from our manufacturers, will install and set up the machinery according to our customers' specifications. Our engineers, together with our customers, will then conduct our own set of tests to confirm compliance with the performance in accordance with the specifications. This would also include installation of software programs to integrate the machinery in the production line.

### **Quality control**

Following installation, our engineers and technical staff will conduct testing of the production line including the testing of all hardware and software installed. When our Group is involved in precision engineering solutions projects we consider the provision of onsite training to our customers in respect of the use and maintenance of the equipment as of the utmost importance and an integral part of our on-going services. We endeavour to ensure that our customer is well equipped to operate the new assembly production line and as part of our after sales services, we keep in close contact with our customers to provide them if necessary with the requisite continued technical know-how/support and/or components.

### **Technical support and maintenance**

We provide a technical support and maintenance package for those customers that require periodic maintenance services for their assembly production lines. Typically in respect of provision of precision engineering solutions projects we assign approximately one to four technical staff to provide such services. The average lead time required to undertake precision engineering solutions projects can range between three to nine months depending on complexity and the technical specifications requested.

For the production of our machine tools such as CNC machining centres, cement production equipment and the manufacturing of components and parts, the production process and the steps taken by our engineers and technical staff are similar. Our engineers and technical staff will conduct a feasibility study and then conceptualize and design in accordance with our customer's specifications and budget. Thereafter the requisite materials will be sourced, manufactured and then installed in accordance with the agreed blueprint. The quality control steps will be followed and the provision

---

## BUSINESS

---

of technical support and maintenance offered to our customers. The average production lead time required for the manufacture of our “KIWA-CW” and “KIWA” CNC machining centres is between three to six weeks. In respect of the production of cement production equipment, the average lead time is between one to three months and with respect to the production of components and parts, the average lead time is between one week to three months.

### **QUALITY CONTROL**

We maintain a comprehensive quality control system in respect of all our products and services. Our Directors believe that our Group’s success to date is attributable to the high standards we have kept in our commitment to and our ability in delivering quality products and services to our customers. During the Track Record Period, we did not have any material return to suppliers or any material return from customers.

Quality control (“QC”) checks are in place at various stages of the operational process and QC personnel are in place in Singapore to ensure and to maintain expected standards. The main QC stages, where applicable, are as follows:–

#### **Incoming**

With regard to our precision engineering solutions projects and upon the request of our customers, our suppliers are required to produce to us the requisite certificates for product and measurement in respect of the major components procured. We will only accept and take delivery of components that conform to these requirements.

With regards to our manufacturing business, we undertake a QC process in respect of all critical raw materials to ensure that they conform to our specifications. This may involve visual and mechanical inspections and laser measurements, if necessary. For components sub-assembly, the QC process will have been completed at the components manufacturing stage.

With regard to our trading business, we require all our suppliers to produce requisite certificates to ensure conformity with required specifications. In respect of bulk purchases we commonly request samples and conduct inspections of such samples.

#### **In-Process**

Only applicable to our manufacturing business, QC checks are conducted at various stages of the manufacturing process to ensure conformity with required specifications. QC checks will be undertaken before the relevant parts are forwarded to the next stage of the production process.

#### **Out-Processing**

With regard to our precision engineering solutions business, comprehensive testing of the new or modified assembly production line will be conducted to ensure that all hardware and software of the various modules are fully integrated into our customer’s existing system so as to ensure that the entire production line is operating smoothly before handing over the completed turn-key production line for our customer’s acceptance.

---

## BUSINESS

---

With regard to our manufacturing business, in order to ensure that the machine tools and precision engineering equipment manufactured comply with the accuracy and performance requirements of our customers as well as the international standards for those types of products, the machines will be submitted to machine laser calibration before being packaged and delivered to our customers. Submitting such machine to machine laser calibration enables our technical staff to ensure that the machine will perform to the specifications required by our customers with respect to their accuracy, torque and speed. It acts as a health-check to fine-tune the machines, to ensure that the axes and the spindle are precisely aligned in their required positions and to ensure overall higher tolerance of the machine. In addition, components will undertake QC testing using equipment such as coordinates measuring machine before final delivery. If we are engaged to carry out machine tool sub-assembly, the completed sub-units will be sent to QC inspections before being packaged and delivered.

With regards to our machine tool trading business in respect of customized products, we undertake to install these on our customers' sites and to carry out requisite testing to ensure conformity with our customers' existing systems.

### **After-Sales Service and Technical Support**

Our Group is committed to respond to our customers' needs and provide necessary technical support upon an on-going basis. The Directors believe that our close relationships with our customers and keeping lines of communication open at all material times is a large part of our Group's success to date.

We offer our customers an on-going maintenance package in addition to the warranties. The standard terms of these warranties are typically twelve months after commissioning or eighteen months after the date of the bill of lading, whichever is earlier or applicable. We do not make any provisions for the warranties given to our customers for our self-manufactured products or for the products purchased from third parties. For products not manufactured by our Group, we provide warranties to our customers which are covered by similar warranties given to us under our contracts with the suppliers. In the event that a claim under warranty comes to light after we sold the products on to our customers, we may recoup any losses incurred by us from the supplier pursuant to the supplier's warranties granted to us. Following the warranty period, customers that require on-going technical support will engage us upon a retainer or upon a contractual basis. During the Track Record Period, there was no material claim under warranty against our Group.

Enquiries and technical support required by our customers will be promptly handled either by our own technical staff or our authorized agents. Our technical staff provide a range of after-sales services including installation, technical advice and equipment training and tuning.

We have a team of nine staff to deal with telephone enquiries, and if necessary, a service team will be sent to our customer's site to address any issues that may arise. It is our Group's policy to visit our customers regularly to ensure our products are in order and to provide our customers with technical advice, if required. This strategy places us closer to our customers and ensures on-going relationships for further engineering services or products required in future.

---

## BUSINESS

---

### SUPPLIERS

Our Group has established good relationships with our various suppliers. We did not depend on any one supplier for sourcing during the Track Record Period. We purchase cast iron, our key raw material, from foundries. Our machineries are sourced from international manufacturers in various places including Europe, Japan, South Korea, the PRC and Taiwan. Components and parts are sourced mainly from Singapore, PRC and US.

Our suppliers generally grant us credit terms ranging from 30 days to 120 days, depending on the nature and value of the contract and the business relationship between our Group and the suppliers. For certain precision engineering solutions projects and CNC machining centres manufacturing contracts, we are able to obtain longer credit terms from 180 days to 270 days on a case-by-case basis. We also obtain trade financing facilities to finance the purchase of key materials.

During the Track Record Period, our five largest suppliers included international and regional manufacturers of cement production equipment and CNC machining centres and importers and exporters of machinery and electrical products. Purchases from our five largest suppliers of our Group accounted for approximately 47.2%, 41.7%, 32.9% and 58.6% of our total purchases for each of the three years ended 31 December 2010 and the nine months ended 30 September 2011, respectively. Purchases from our largest supplier of our Group for each of the three years ended 31 December 2010 and the nine months ended 30 September 2011, accounted for approximately 26.2%, 18.9%, 8.6% and 16.8% of our Group's total purchases respectively. We purchased CNC machining centers, components and parts, rotor weighfeeders, cement production equipment and accessories and photovoltaic modules from our top suppliers during the Track Record Period.

We purchase from suppliers and manufacture ourselves CNC machining centres during the Track Record Period. The CNC machining centres that we purchased from the suppliers were priced in accordance with their respective specification and quality. During the Track Record Period, the cost of cast iron comprised approximately between 8%-13% of the total production cost of the CNC machining centres that we manufactured. This mainly relates to the cast iron that is required for use as metal casting for the mechanical parts of our CNC machining centres. We purchase cast iron for our own manufacturing purposes, and also purchase machineries, components and parts from other suppliers which were also made from cast iron. The most important components and parts that we source apart from the casting parts are the CNC controller, which is a non-mechanical part of the CNC machining centre. We have conducted a sensitivity analysis on the effect of the purchase prices of casting parts and the CNC controller of our self-manufactured products on our costs of sales for the year ended 31 December 2010 on the hypothesis that such purchase prices appreciate or depreciate by 20%. We estimate that should the prices of casting parts and CNC controller appreciate by 20%, our total costs of sales relating to our self-manufactured products would increase by an aggregate of approximately 8.3%. Should the prices of casting parts and CNC controller depreciate by 20%, we estimate that our total costs of sales relating to our self-manufactured products would decrease by an aggregate of approximately 8.3%.

In order to minimize cost fluctuations, our Group will take into account the prevailing market prices of the requisite materials when preparing quotations to customers. Our Group will also minimize the time gap between accepting customer orders and placing orders with suppliers.

---

## BUSINESS

---

None of our Directors, their associates or shareholders holding more than 5% of the issued share capital of our Company held any equity interests in any of our five largest suppliers during the Track Record Period.

### INVENTORY CONTROL

As we commence production only upon confirmation of sales orders, we are able to maintain our Group's inventory at a constant level. Various teams of our Group, including the procurement teams, the sales and marketing team and the production team work closely to ensure that our Group's production capacity is able to meet the sales orders and that products under the confirmed sales orders will be delivered on a timely basis.

Since production will be carried out upon confirmation of the sales orders, we generally do not maintain a high level inventory of our raw materials. Normally, we will maintain an inventory level for the commonly-used raw materials and procure other raw materials in accordance with the sales orders.

As at 31 December 2008, 2009 and 2010 and 30 September 2011, our Group's inventory of finished products amounted to approximately HK\$7.7 million, HK\$4.3 million, HK\$5.3 million and HK\$3.1 million. Our Group's inventory turnover days are 39 days, 35 days, 21 days and 17 days, respectively. During the Track Record Period, we did not experience material write-offs of any of our inventory except for the write-offs in 2008 and 2009 for certain unused spare parts specifically made for maintenance projects which have been terminated.

### SALES AND MARKETING

As at the Latest Practical Date, our sales and marketing team comprises 42 full-time staff based in Singapore and the PRC. Our sales and marketing team is headed by Mr. William Wong in Singapore and Mr. Sam Wong in the PRC. During the Track Record Period, we experienced a cancellation of an order amounting to approximately HK\$10.8 million in 2009 and the cancellation was attributable to the relevant customer having undergone a reorganization and decided to hold back its expansion plan. The order was cancelled before shipment. There was no material loss to the Company as we managed to secure sales of the machine to another customer and the deposit received from the customer for this order was forfeited by us.

In order to maintain good relationships with our customers, our sales team will conduct regular visits to our key customers in both the Asia-Pacific region and Europe. This is a key component of our Group's sales and marketing strategy. Such visits act as feedback sessions with our customers and we are able to be kept informed of the latest developments in respect of our customers' business as well as their on-going requirements. The visits are invaluable in securing further contracts and represent an opportunity for us to keep our customers informed of our latest product development activities and to collect market data.



---

## BUSINESS

---

In 2008, our Group engaged Mr. Tay as a project consultant on a yearly retainer to generate sales leads, create new points of sale and to work in concert with our in-house sales and marketing team to coordinate our marketing strategy and activities. Mr. Tay is one of our Shareholders and is the brother of Mr. Tay Choon Guan Jimmy who is our head of operations and marketing for the Asia-Pacific region. Mr. Tay possesses over 15 years of experience in the machine tools industry. Whilst our in-house sales and marketing team are full-time employees remunerated on a salary basis, Mr. Tay's remuneration is based on a percentage of the minimum sales revenue target. Mr. Tay's remuneration is reviewed and determined annually based on performance. For the three years ended 31 December 2008, 2009 and 2010 and nine months ended 30 September 2011, commissions to Mr. Tay amounted to HK\$1.2 million, HK\$1.2 million and HK\$1.2 million and HK\$1.0 million respectively. Mr. Tay holds various certificates in relation to production planning and the machine tools industry, including a National Trade Certificate in Machine Tool Building and Maintenance Mechanics from the Industrial Training Board Singapore and a Certificate of Craftsman in a Four Year Apprenticeship Training as precision miller from TATA Government Training Centre in Singapore.

During the course of the Track Record Period, in addition to our in-house sales and marketing team, KIWA-CW (Shanghai) appointed an additional 16 external authorized sales and marketing agents in the PRC. These additional authorized agents either work upon a commission basis for sales generated on our KIWA-CW products or purchase our KIWA-CW products directly for onward sale. Both our in-house sales and marketing team and Mr. Tay are responsible for dealing with enquiries with these external agents and overseeing all sales leads conducted through them.

### **Credit policy**

Prior to our acceptance of an customer, our sales representative or accounts manager shall evaluate the customer's credit by obtaining and looking at information, related but not limited to:– (i) its basic data and history (i.e share capital, shareholders, location of offices and plants, customers and suppliers, bankers); (ii) financial standing (sales, profits, assets, debts, collections, payments); (iii) standing in the industry and track record; (iv) reputation and personal financial standing of senior management; and (v) evaluation by external parties such as banks and companies it deals with.

During the nine months ended 30 September 2011, we secured a number of sales orders for photovoltaic components and parts. In assessing the creditability of these customers, our Group had performed the following measures before entering into the relevant sales contracts:

1. Confirming with the customers that the construction of the photovoltaic plants by these customers had been financed by financing banks;
2. Requiring deposits from the customers before the delivery of the photovoltaic components and parts to them; and
3. Agreeing with the customers under the relevant agreements that in case of default of payment, our Group would have the right to request the return of all components and parts sold.

---

## BUSINESS

---

To further protect the financial risk of our Group, our Group had agreed with our suppliers of those photovoltaic components and parts that, among others, (i) the credit periods granted to our Group were made reference to the relevant credit periods granted to our Group's customers; and (ii) the deposit paid by our Group to our suppliers will be refunded to our Group if our Group has not received the same amount of deposit from our Group's customers. For some of the contracts with our suppliers, it was also stipulated that our Group would pay the balance of the purchase price to the suppliers after our Group has received the relevant payment from the financing institutions.

The credit limits and credit terms for each customer will be determined by the sales representative or accounts manager in consultation with our finance department. This will include whether or not security will be required, for instance an upfront deposit, letters of credit, personal or bankers guarantee and/or collaterals. This shall be determined by each department or division within our Group.

We grant our customers different credit periods according to business segments. The general range of credit periods granted are from 60 to 270 days for precision engineering solutions, and there are certain instances where our Group may grant credit terms of up to 360 days, including (i) the new model of products that longer time is required to ensure the products can run smoothly; (ii) the services and products our Group provided are only part of the customers' production line and the relevant customer would not settle the amounts payable to its suppliers, including that payable to our Group, until the customer's entire production line has been completed; and (iii) competitors offer similar terms to our Group's customers; from 60 to 180 days for the sale of CNC machining centres; from 0 to 120 days for the sale of cement production equipment; from 30 to 180 days for the sale of components and parts; and from 30 to 360 days for after sales technical support services. For the three years ended 31 December 2008, 2009 and 2010 and the nine months ended 30 September 2011, the account receivable turnover days were 151, 178, 147 and 177 days respectively.

There are instances where we allow settlement by installments. We have retention money receivables of 360 days terms which are generally 5% to 10% of the total sales amount in certain instances particularly when we deal with government-linked companies.

We monitor trade receivables collection and aging, including closely monitoring all outstanding debts and reviewing our debtors' credit standing continuously to ensure that we are able to recover all debts which are outstanding and due. Customers with poor credit ratings would be monitored closely and follow ups made. If a customer does not settle their outstanding debts there are a number of internal measures and courses of action that we can take, including but not limited to, revising and suspending credit limits and revising terms and conditions of collection, failing which we will issue a formal written reminder and following which we will cease all transactions with the customers and instruct lawyers to institute legal proceedings where and if necessary. Our sales representatives and other sales staff will also help monitor the development of our customers' projects and communicate with our customers regarding the settlement of trade receivables.

---

## BUSINESS

---

Our trade receivables turnover days during the Track Record Period are as follows:

|  | Year ended 31 December                                    |      |      | Nine months<br>ended<br>30 September |
|--|---|------|------|--------------------------------------|
|  | 2008  | 2009 | 2010 | 2011                                 |
|  | Trade receivables turnover ( <i>days</i> ) <sup>(1)</sup> | 151  | 178  | 147                                  |

*Note:*

- <sup>(1)</sup> Trade receivables turnover is calculated based on the average trade receivables (sum of opening and closing balances of trade receivables of respective years and then divided by two) divided by revenue of the respective years and multiplied by the number of days in the corresponding year/period.

Long receivable turnover days of our Group during the Track Record Period primarily resulted from the long credit periods granted to its customers, in particular those in the precision engineering solutions segment (the credit period ranges from 60 – 270 days), which is in line with the industry norm. The precision engineering solutions segment is the largest business of our Group which accounts for over 40% of its turnover. Such practice is mainly because sufficient time is allowed to its customers on testing the production lines to ensure their smooth operations.

As at 30 September 2011, our allowances for doubtful debts of trade receivables recorded in our balance sheet amounted to approximately HK\$1.5 million, representing approximately 0.32% of our total trade receivables balance.

The following table sets forth an ageing schedule of our trade receivables (net of allowance for doubtful debts and excluding accrued revenue) as of the end of each reporting period indicated.

|               | As at 31 December |                 |                 | As at<br>30 September |
|---------------|-------------------|-----------------|-----------------|-----------------------|
|               | 2008              | 2009            | 2010            | 2011                  |
|               | <i>HK\$'000</i>   | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i>       |
| 0-90 days     | 58,442            | 43,396          | 156,558         | 109,271               |
| 91-180 days   | 11,657            | 2,587           | 11,490          | 154,103               |
| 181-360 days  | 3,398             | 10,949          | 35,873          | 86,077                |
| Over 360 days | 35,778            | 36,467          | 1,491           | 2,630                 |
|               | <u>109,275</u>    | <u>93,399</u>   | <u>205,412</u>  | <u>352,081</u>        |

### Major customers

Our customers cover a wide-range of different industries. As at the Latest Practicable Date, we have a diversified base of over 200 customers. We do not have any long term contracts with any customer and we are not reliant on any one of our customers due to the project-based nature of our

---

## BUSINESS

---

business and the durable nature of machine tools. As our operations are project-based in nature, the identity of our top customers is different for each year of the Track Record Period. During the Track Record Period, our five largest customers included international and regional manufacturers of inkjet printers, specialty vehicles and equipment for the oil and gas industry, cement production equipment, and screws and components and a company engaged in trading of equipment for turn-key solutions in the automotive industry.

For each of the three years ended 31 December 2010 and the nine months ended 30 September 2011, sales to our five largest customers in aggregate, accounted for approximately 19.9%, 28.1%, 31.6% and 46.5% respectively of our total revenue. For the same period, sales to our largest customer accounted for approximately 6.4%, 10.6%, 9.4% and 14.4% respectively of our total revenue.

During the Track Record Period, none of our Directors, associates or any of our Shareholders holding more than 5% of the issued share capital of our Company held any equity interest in those top five customers other than 富陽水泥裝備(天津)有限公司 for the year ended 31 December 2008, which was effectively held by Mr. Fu, a connected person of our Group, in 2008 but was subsequently disposed of by Mr. Fu. The sales to 富陽水泥裝備(天津)有限公司 amounted to approximately HK\$8.9 million in 2008.

### Transportation

Typically the manufacturer is responsible for transportation arrangements. For products manufactured by our Group, we will engage third-party transportation companies to deliver the products. For products not manufactured by our Group, our suppliers are typically responsible to deliver the products to our customers directly.

### INTELLECTUAL PROPERTY

Our Group's intellectual property rights are important to its business and as at the Latest Practicable Date, our Group had two trademarks registered in Singapore, one trademark registered in Hong Kong and five trademarks and seven patents approved and registered in the PRC. In addition, as at the Latest Practicable Date, our Group had five trademarks pending consideration in the PRC.

Details of our intellectual property portfolio, including trademarks under application, are provided in sub-paragraph "Intellectual property rights" under sub-section headed "Further information about the business" in Appendix VI to this prospectus.

As at the Latest Practicable Date, we are not involved in any proceedings with regards to, and we have not received notice of any claims of infringement of, any intellectual property rights that may be threatened or pending, in which we may be involved either as a claimant or respondent.

### RESEARCH AND DEVELOPMENT

We have not undertaken significant research and development activities and have not incurred any significant research and development expenses during the Track Record Period.

---

## BUSINESS

---

As at the Latest Practicable Date, we have collaborations with international machinery manufacturers KIWA and DMPG. These collaborations have enabled our engineers and technical staff to tap into their technical know-how. By closely working with these international machinery manufacturers our team of over a hundred professional engineers and technical staff are able to expand and develop their capabilities and the range of products and services offered by our Group and keep informed of the latest technological developments.

### PROPERTY

As at the Latest Practicable Date, we owned one property in Tianjin and leased five properties in Singapore, Shanghai and Tianjin.

#### Owned property

| Location  | Gross Floor Area | Use of Property |
|---|------------------|-----------------|
| Unit 3-3-1202<br>TEDA Triones City,<br>Southeast of junction<br>of Kunwei Road and<br>Jingzhonghe Avenue,<br>Hebei District, Tianjin, PRC | 186.40 sq.m.     | Residential     |

#### Leased properties

| Location   | Gross Floor Area | Use of Property |
|--|------------------|-----------------|
| <i>Singapore</i>                                   |                  |                 |
| 50 Kallang Avenue<br>#05-01/02<br>Singapore 339505 | 836.12 sq.m.     | Office          |

| Location  | Gross Floor Area | Use of Property     |
|---|------------------|---------------------|
| <i>PRC</i>  |                  |                     |
| An industrial unit suited at<br>Qingguang Industrial Park,<br>close to Jinba Highway,<br>Beichen District, Tianjin, PRC | 1,220 sq.m.      | Industrial & office |
| Unit 102, Block 17,<br>No.260 Liancao Road,<br>Minhang District,<br>Shanghai, PRC                                       | 2,595.01 sq.m.   | Industrial          |

---

## BUSINESS

---

| Location  | Gross Floor Area | Use of Property |
|---|------------------|-----------------|
| Unit 101, Block 17,<br>No.260 Liancao road,<br>Minhang District,<br>Shanghai, PRC | 1,431.06 sq.m.   | Industrial      |
| No.172, Lane 38,<br>Chengzhong Road,<br>Zhujing Town,<br>Shanghai, PRC            | 20 sq.m.         | Office          |
| No.4191 Longwu<br>Road, Minhang District,<br>Shanghai, PRC                        | 2,598 sq.m.      | Industrial      |

Further particulars of our Group's property interests are set out in the valuation certificates of property valuation prepared by DTZ Debenham Tie Leung Limited in Appendix IV. DTZ Debenham Tie Leung Limited is also of the view that the terms of the relevant lease agreements in respect of the above lease properties are normal commercial terms and the rental payables under those lease agreements are in line with the fair market rates.

### EMPLOYEES

As at the Latest Practicable Date, we had approximately 213 full-time employees. The following table shows the breakdown of our employees by department and function:

|                          | <b>As at the Latest<br/>Practicable Date</b> |
|--------------------------|--|
| Management               | 6  |
| Engineers/Production     | 115  |
| Sales & Marketing        | 42   |
| Maintenance              | 7  |
| Finance                  | 19   |
| General & Administrative | 23   |
| Consultant               | 1  |
|                          | <hr/>  |
| <b>Total</b>             | <b>213</b>                                   |
|                          | <hr/> <hr/>                                  |

All of our employees are based in Singapore or the PRC.

We provide on-going training to our staff in order to enhance their technical and product skills and to provide them with updates with regards to industry quality standards and work safety standards. In addition, our engineers receive on-going technical training and exchanges with KIWA in both Japan and the PRC. Our technical staff maintain close interactions with all our customers to ensure that high after-sales service standards are offered and maintained.

---

## BUSINESS

---

We maintain good relationships with our employees and we have not experienced any significant problems with our employees nor have there been any disruptions to our business operations as a result of strikes or other labour disputes.

As required by PRC regulations, we participate in the social insurance schemes operated by the relevant local government authorities. Our PRC legal advisers confirm that save as disclosed in the paragraph headed “Material non-compliance incidents and indemnity” of this section, we have complied with applicable labor and social welfare laws and regulations in the PRC in all material respects, and have made relevant contributions in accordance with such laws and regulations during the Track Record Period.

As stated in the paragraph headed “Insurance” in this section, our Group maintains various insurance coverage in respect of our staff including occupational injury, medical and group accidental death.

### INSURANCE

We maintain a range of insurance coverage in relation to our business, including but not limited to public liability, work injury, group hospitalization and surgical, group accidental death and dismemberment, property, fixed assets and inventory.

KIWA-CW (Shanghai) is a jointly-controlled entity of our Group and our Group has agreed with its partner (i.e. KIWA) to maintain product liability insurance for KIWA-CW branded products to protect the interests of both parties from product liabilities. We do not carry product liability insurance for operations with respect to our other Group companies given that there are no laws and regulations that require the maintenance of such insurance. During the Track Record Period, no material defects have been found in products manufactured and sold by our Group. We do not make any provisions for the warranties given to our customers for our self-manufactured products or for our products purchased from third parties. For products not manufactured by our Group, we provide warranties to our customers which are covered by similar warranties given to us under our contracts with the suppliers. In the event that a claim under warranty comes to light after we have sold the products on to our customers, we may recoup any losses incurred by us from the supplier pursuant to the supplier’s warranties granted to us. The standard terms of these warranties are typically twelve months after commissioning or eighteen months after the date of the bill of lading, whichever is earlier or applicable. For more details on our agency arrangements, please refer to the paragraph headed “Products and equipment sold under agency arrangements” above in this section.

During the Track Record Period, we have not made any material claims.

### COMPETITION

Our Directors consider our Group’s business environment to be competitive and anticipate further competition from existing competitors and new market entrants in the future. As our Group has customers in a wide range of different industries, we believe that the competition we face varies from business to business.

---

## BUSINESS

---

Our Directors believe that one of the aspects that sets our Group apart from its competitors is that our Group manufactures and sells project-based tailor-made precision engineering solutions and CNC machining centres for customers in a wide range of industries. We are not involved in the mass production of “off-the-shelf” or standard-configured CNC machining centres or assembly production lines and thus, we may not manufacture the same volume as our competitors. Our products and services are designed specifically to provide our customers with solutions to meet their individual manufacturing needs. The CNC machining centres manufactured by our Group offer a varying range of customization options for our customers to choose from depending on their specific manufacturing applications. For instance, various fixtures can be added to the standard configuration module and modifications can be made to the tool configuration and axis speed. Changes can also be made to their aesthetic appearance. In this regard, our Directors believe that we are well-positioned in the industry. Another aspect that we believe sets us apart from our competitors is our collaboration with international machinery manufacturers such as KIWA and DMPG, both of whom are considered to be at the high end segment of our industry. These collaborations afford us the opportunity to enhance our technical expertise through the products and services that we offer.

Our Directors believe that key factors affecting the operational and financial performance of machine tool industry are principally (1) costs of materials; (2) labour costs; and (3) manufacturing overheads or indirect production-related costs such as utility costs, inventory, depreciation of equipment and indirect labour costs.

Our Group faces competition from both international enterprises and local manufacturers in the PRC.

In respect of the provision of precision engineering solutions, we consider that our main competitor is a company based in Singapore who provides services similar to those provided by us. This company principally provides turn-key automation solutions in factory automation and system integration for a variety of businesses including the precision engineering and electronics/semi-conductor industries.

In respect of the manufacture of CNC machining centres, we consider that our main competitors are some mid to high-end Japanese machine tool manufacturers and some large-scale PRC machine tool manufacturers who are in the business of mass production of low to mid-end machine tools. We compete with them in term of price, technology, geographical markets and brand name and recognition.

In respect of the sale of cement production equipment, our main competitors are international enterprises with a presence in the PRC. Historically, the prices for cement production equipment manufactured by international enterprises and imported into the PRC are more expensive than those manufactured locally by PRC companies. Cement production equipment manufactured by international enterprises are also typically of a higher quality than those manufactured in the PRC. We believe that we possess a competitive advantage by reason of the fact that we are able to provide our customers with domestically made cement production equipment but of a similar quality to those manufactured by international enterprises and at a lower cost. By manufacturing locally in the PRC, we are able to save on logistic costs of importing such as freight and transportation costs. We consider our main competitors for the sale of cement production equipment to be those high-end German and Japanese



---

## BUSINESS

---

companies whose business includes provision of weighing, feeding, screening and automation solutions in measuring and process technologies and the manufacture of quantitative feeders and measuring machines.

Our Directors believe that our Group has an edge over its competitors for reasons set out more specifically in the paragraph headed “Competitive strengths” of this section.

### LEGAL AND REGULATORY MATTERS

As at the Latest Practicable Date, none of the members of our Group was involved in or had been involved in any legal or arbitration proceedings of material importance during the Track Record Period and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against any member of our Group.

Save as disclosed below in the paragraph headed “Material non-compliance incidents and indemnity”, we have complied with all applicable PRC, Singaporean and Malaysian laws and regulations in all material aspects during the Track Record Period and have obtained all permits, licences, qualifications, authorizations and approvals material to our business operations. Our Group’s businesses and its operations in Singapore and the PRC are not subject to any special legislation or regulatory controls which have a material effect on the business other than those laws and regulations generally applicable to companies conducting business in Singapore and the PRC.

#### Material non-compliance incidents and indemnity

During the Track Record Period we have failed to comply with the following laws, regulations and rules of the PRC: –

*We have failed to pay the registered share capitals of KIWA-CW (Shanghai), CWI (Shanghai) and Tianjin FeiSiTe in a timely manner*

The initial registered capital of KIWA-CW (Shanghai) upon establishment was US\$2 million, the initial registered capital of CWI (Shanghai) was US\$1 million and the initial registered capital of Tianjin FeiSiTe upon establishment was US\$200,000.

The last instalment of the registered capital of KIWA-CW (Shanghai) of US\$700,000 was not contributed by KIWA-CW, its sole shareholder, within the required timeframe, i.e. before 18 May 2007 until eight months after the due date for making the payment, as the need for the capital was not urgent and the capital late payment of wholly-foreign-owned enterprises would not result in any liabilities to third party. The increased amount of the registered capital of CWI (Shanghai) was not contributed by CWI, its sole shareholder within the required timeframe, i.e. before 28 March 2009 until approximately 14 months after the due date for making the payment, as the need for the capital was not urgent and the capital late payment of wholly-foreign-owned enterprises would not result in any liabilities to third party. The registered capital of Tianjin FeiSiTe was not contributed by Fuyang International, its sole shareholder within the required timeframe, i.e. before 4 February 2004 until approximately one month after the due date for making the payment, as the remittance and capital verification formalities were delayed and the capital late payment of wholly foreign owned enterprise would not result in any liabilities to third party.

---

## BUSINESS

---

Having taken the advice of our PRC legal advisers and in view of (i) KIWA-CW and Fuyang International had fully injected the registered capital for KIWA-CW (Shanghai) and Tianjin FeiSiTe on 4 January 2008 and 10 March 2004 respectively, and according to the Law of the People's Republic of China on Administrative Penalty (《中華人民共和國行政處罰法》), where an illegal act is not discovered within two years of its commission, administrative penalty shall no longer be imposed; (ii) CWI had fully injected the registered capital for CWI (Shanghai) on 20 May 2010 and no administrative penalty was imposed on CWI (Shanghai) when filing the registered capital injection at Shanghai Administration of Industry and Commerce (the "Shanghai AIC") and according to the consultation with Shanghai AIC made by our PRC legal advisers, if the company had already fully contributed the capital, there will be no penalty imposed for the past late payment; and (iii) each of KIWA-CW (Shanghai), CWI (Shanghai) and Tianjin FeiSiTe has passed the latest annual examination and has obtained a valid Certificate of Approval for Establishment of Enterprises with Foreign Investment in the PRC and the business licence, our PRC legal advisers are of the opinion that: –

- (a) there is no legal liability on each of KIWA-CW (Shanghai) and Tianjin FeiSiTe and their respective investors for any legal or administrative penalty payable to any government authority or third parties as a result of the late payment of the registered capital within the required time frame. The possibility for CWI (Shanghai) shareholder being administratively penalized is very low;
- (b) the late payment of registered capital has not nor will not have any adverse impact on the capacity and existence of each of KIWA-CW (Shanghai), CWI (Shanghai) and Tianjin FeiSiTe as a legal entity; and
- (c) the business licence of each of KIWA-CW (Shanghai), CWI (Shanghai) and Tianjin FeiSiTe will not be revoked due to late payment of registered capital.

*We have failed to make housing provident fund registration for SD Trading (Shanghai) and Tianjin FeiSiTe in a timely manner*

SD Trading (Shanghai) and Tianjin FeiSiTe was established on 27 February 2004 and 14 August 2003 respectively and applied for housing provident fund registration in October 2004 and May 2010 respectively, as the employees were not willing to pay the housing funds due to their high mobility and the local authority had never ordered SD Trading (Shanghai) and Tianjin FeiSiTe to register and contribute to the housing funds before then. Pursuant to the Regulations for the Housing Provident Fund Contributions (《住房公積金管理條例》) (the "Regulations"), newly established enterprises shall make housing provident fund registration with the relevant housing provident fund management center and open housing provident fund accounts with their entrusting bank for their employees with the relevant documentation issued by the housing provident fund management center according to the applicable provisions of the Regulations.

According to the Regulations, relevant housing provident fund management centres may order enterprises to make housing provident fund registration within a prescribed time limit. If an enterprise fails to make the registration within the prescribed time, it will be fined a penalty between RMB10,000 and RMB50,000. As each of SD Trading (Shanghai) and Tianjin FeiSiTe has made housing provident

---

## BUSINESS

---

fund registration and the relevant PRC governmental authority has never ordered SD Trading (Shanghai) or Tianjin FeiSiTe to make such registration within a prescribed time, our PRC legal advisers are of the opinion that the relevant PRC governmental authority will not penalize SD Trading (Shanghai) or Tianjin FeiSiTe for such non-compliance.

*We have failed to register the social security funds and fully pay the social security funds of Tianjin FeiSiTe in a timely manner*

Under (《社會保險費征繳暫行條例》) (Interim Regulation on the Collection and Payment of Social Security Funds), Regulations on work-related injury (《工傷保險條例》) and Regulations on Maternity Insurance for Urban Employees of Tianjin (《天津市城鎮職工生育保險規定》), our Group is required to register the social security funds and pay various social security funds, namely basic pension insurance (基本養老), unemployment insurance (失業保險), maternity leave (生育保險), work-related injury (工傷保險) and basic medical insurance (基本醫療) for employees to the relevant administrative authorities.

Under (《社會保險費征繳暫行條例》) (Interim Regulation on the Collection and Payment of Social Security Funds), Regulations on Work-related Injury (《工傷保險條例》) and Regulations on Maternity Insurance for Urban Employees of Tianjin (《天津市城鎮職工生育保險規定》), if there is a failure to pay the social security funds, the relevant PRC governmental authority may order the payment of the outstanding social security funds within a specified period and impose overdue fine of 0.2% of the outstanding payment per day. For failure to register the social security funds, the relevant PRC governmental authority may order the registration within a specified period and impose on the responsible officer a fine of more than RMB 1,000 but not more than RMB5,000. If the violation is severe, the relevant PRC governmental authority may impose a fine of more than RMB5,000 but not more than RMB10,000.

Tianjin FeiSiTe has not registered the social security funds and paid the aforesaid social security funds before February 2008 respectively, as the employees were not willing to pay the social security funds due to their high mobility and the local authority had never ordered Tianjin FeiSiTe to register and pay the funds by then. As Tianjin FeiSiTe has registered the social security funds in February 2008 and the relevant PRC governmental authority has not ordered Tianjin FeiSiTe to make such registration within a prescribed time, our PRC legal advisers have advised that due to the limitation period of two years under the PRC laws, the relevant PRC governmental authority may not impose any administrative penalty on Tianjin FeiSiTe after February 2010 for the non-registration of the social security funds. Based on the certificate dated 11 January 2012 issued by and enquiry made to the Beichen branch of Social Security Management Center of Tianjin City, our PRC legal advisers have advised that up to December 2011, the payment of social security funds by Tianjin FeiSiTe was in order and there was no outstanding social security funds payable by Tianjin FeiSiTe.

*The shares in our subsidiary, SD Trading (Shanghai), has been held on trust by Zhu Haijing and Lin Li*

According to (i) the confirmation letter produced by SD Trading (Shanghai) and (ii) the Deed and Declaration Trust provided by the Company and signed by Ms. Zhu Haijing, Ms. Lin Li and CW Technologies Pte Ltd on 18 February 2004, Ms. Zhu Haijing and Ms. Lin Li were appointed by CWG (formerly known as CW Technologies Pte Ltd), to hold its shares in SD Trading (Shanghai) on trust.

---

## BUSINESS

---

According to the Foreign Investment Industrial Guidance Catalogue (2002 version) (《外商投資產業指導目錄》(2002年版)), commodities trading falls into one of the restricted categories under which foreign investors would be subject to restrictions, and it was not permitted to establish wholly foreign-owned entities at that time.

Also according to the Foreign Investment Industrial Guidance Catalogue (2004 version) (《外商投資產業指導目錄》(2004年修訂)) revised in 2004, and the Measures on the Administration of Foreign Investment in Commercial Business (《外商投資商業領域管理辦法》) implemented on 1 June 2004, the entry threshold and approval requirements for foreign investment in commercial jurisdiction shall be relaxed, and the establishment of wholly foreign-owned entities was permitted since 1 June 2004.

There is no prohibition under PRC laws against foreign legal entities holding shares in trust for other foreign legal entities. In addition, according to the relevant PRC laws, violation of laws would not subject to administrative penalty if not discovered within two years from the date of violation. At the present moment, the trust arrangements described above have been terminated.

SD Trading (Shanghai) has passed the latest annual examination and is in possession of a valid Certificate of Approval for Establishment of Enterprises with Foreign Investment in the PRC and a valid Business Licence.

According to our PRC legal advisers: (i) commodities trading was one of the restricted categories for foreign investment and it was not permitted for foreign investors to establish wholly foreign-owned entities to engage in commodities trading business under the Foreign Investment Industrial Guidance Catalogue 2002 (《外商投資產業指導目錄》2002年版) which was applicable at the time when SD Trading (Shanghai) was established. Accordingly, the trust arrangement in respect of SD Trading (Shanghai) was not in line with the foreign investment policy of the PRC at that time; (ii) pursuant to the Measures on the Administration of Foreign Investment in Commercial Business (《外商投資商業領域管理辦法》) implemented on 1 June 2004, the establishment of wholly foreign-owned entities engaging in commercial business was permitted since then and the relevant trust arrangement in respect of SD Trading (Shanghai) was cancelled on 6 July 2007. According to Rule 29 of the “Laws of Administrative Penalty” (《行政處罰法》) in the PRC, violation of laws would not be subjected to administrative penalty if it was not discovered within two years (from the date of violation or from the date of termination of the violation if such violation is successive in nature). In this regards, even if such trust arrangement was held to be in violation of the PRC laws, the parties to the trust arrangement in respect of SD Trading (Shanghai) would not be subjected to administrative penalty as such trust arrangement had been terminated for more than two years; and (iii) furthermore, our PRC legal advisers have made telephone enquiries with the Shanghai Committee for Commerce (上海市商務委員會) and the Shanghai Administration for Industry and Commerce (上海市工商行政管理局) (the “Shanghai AIC”) regarding the trust arrangement in respect of SD Trading (Shanghai) and were confirmed that the Shanghai AIC was in charge of the relevant administrative penalty matters and given the reasons mentioned in (ii) above, Shanghai AIC confirmed that such trust arrangement would not be subject to administrative penalty. Based on the above, the trust arrangements described above would not be subject to administrative penalty, and have not, and will not adversely affect the existence of SD Trading (Shanghai)’s valid legal status; and SD Trading (Shanghai)’s Business Licence will not be suspended or cancelled.

---

## BUSINESS

---

*The validity of the tenancy agreement for our leased properties at Units 101 and 102, Block 17, No.260 Liancao Road, Minhang District, Shanghai, PRC and the non-registration for leased properties located at No.172 Lane 38, Chengzhong Road, Zhujing Town, Shanghai, PRC.*

According to Article 44 of “Provisional Regulations of the PRC Concerning the Grant and Assignment of the Right to Use State-owned Land in Urban Areas (《中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例》) declared by the State Council, no transfer, leasing or pledge of the land use rights obtained by allocation (劃撥) is allowed unless prior approvals are obtained from the relevant governmental authorities. Pursuant to Article 52 of the PRC Contract Law (《中華人民共和國合同法》), any contract which violates any laws or mandatory regulations of the PRC shall be invalid. Accordingly, if properties are obtained by allocation, no leasing of the properties will be allowed unless prior approvals are obtained from the relevant PRC governmental authorities. However, when our Group entered into the lease contracts, we were not aware that the properties were obtained by allocation (劃撥) and approval from the PRC governmental authorities is required. Accordingly, we leased two properties which are located at Units 101 and 102, Block 17, No.260 Liancao Road, Minhang District, Shanghai, PRC, with a total gross floor area of 1,431.06 sq.m and 2,595.01 sq.m. respectively which have been obtained by allocation (劃撥) but no approval has been obtained from the relevant PRC governmental authorities for such leases by the lessor. Our Group has required the lessor to obtain such approval but the lessor did not agree to do so. As advised by our PRC legal advisers, the relevant leases will probably be invalid and unenforceable as a result of the breach of such mandatory regulation. In the event of any dispute between our Group and the lessor, the court may declare the relevant lease(s) to be invalid. In such event, our Group is required to relocate its office(s) and production facilities to alternative premises. According to the aforementioned regulations, any entities or individuals that transfers, leases or mortgages the allocated land use rights without authorization shall have their illegal income therefrom confiscated by the land administration departments under the people’s governments at the municipal and county levels and shall be fined in accordance with the seriousness of the case. As advised by our PRC legal advisers, no administrative penalty will be imposed on our Group as a lessee.

The leases in respect of properties leased by our Group and located at No.172 Lane 38, Chengzhong Road, Zhujing Town, Shanghai, PRC have not been registered with the relevant PRC governmental authorities, as the lessor did not agree to process the registration formalities. As advised by our PRC legal advisers, according to Article 54 of “The Law of the Administration of Urban Real estate of the PRC” (《中華人民共和國城市房地產管理法》), the lessor and the lessee should enter in to a lease agreement for the lease of a property and apply for lease registration with the relevant governmental authority. Pursuant to Article 15 of “Regulations of Shanghai on Lease of Buildings” (《上海市房屋租賃條例》), the parties to a lease should apply for lease registration with the relevant governmental authority and the non-registration of a lease is not enforceable against any third party but no legal liability is stipulated under the “Regulation of Shanghai on Lease of Buildings” (《上海市房屋租賃條例》). According to Article 14 of the Measures Concerning the Administration of the Leasing of Commodity Properties (商品房租賃管理辦法) (the “Measures”), which came into effect on 1 February 2011, the parties to a lease shall apply for lease registration to the local property administrative department of the government at municipal or county level within 30 days after the date of the lease; according to the Article 23 of the Measures, the local property administrative department shall make an order for rectification within a prescribed time limit; if the responsible party fails to

---

## BUSINESS

---

register the lease within the aforesaid time limit, a fine of not more than RMB1,000 will be imposed on individual and a fine of not less than RMB1,000 but not more than RMB10,000 will be imposed on entity. However, according to the Interpretations (I) of the Supreme People's Court to Several Problems in applying the PRC Contract Law (《最高人民法院關於適用《中華人民共和國合同法》若干問題的解釋(一)》), it is provided that the validity of a contract shall not be affected by the non-registration where such contract is required to be registered pursuant to the laws and administrative regulations provided that such contract does not contain any provision for such contract to take effect upon registration. As advised by our PRC legal advisers, the non-registration of the relevant leases will not affect their legality, validity and enforceability. However, as our Group and the lessor fails to process the lease registration within the prescribed limit, the parties to the lease shall be responsible and would be subject to a fine of not less than RMB1,000 but not more than RMB10,000. According to the consultation made by our PRC legal advisers with the Enforcement Office of Shanghai Minxing District Property Administration Bureau, if the non-registration is discovered by the authority, usually the responsible parties will be ordered to make rectification in the first place and the fine will only be imposed when the responsible parties fails to make rectification.

Each of WMS Holding, Mr. William Wong and Mr. Sam Wong have jointly and severally agreed to indemnify our Group for any possible losses and damages resulting from each of the abovementioned incidents of non-compliance.

### ENVIRONMENTAL PROTECTION AND SAFETY

We are subject to the relevant PRC national and local environmental laws and regulations as set out in the section headed "Regulatory overview".

We have been in compliance with all national and local laws and regulations in respect of environmental protection and have never been administratively punished by the Environmental Protection Bureau in relation to any breaches during our operation. This has been confirmed by two letters issued by the Environmental Protection Bureau of Minhang District, Shanghai to KIWA-CW (Shanghai) and CWI (Shanghai) respectively dated 29 November 2011. Certificates dated 26 March 2010 and 27 October 2011 respectively were also issued by the Environmental Protection Bureau of Tianjin Beichen District to Tianjin FeiSiTe certifying that for the period from 1 January 2007 to 27 October 2011, Tianjin FeiSiTe has not been found liable of any violation of the applicable environmental laws in Tianjin, PRC.

Pursuant to the Acceptance Opinion on Environmental Protection of Completed Shanghai Construction Project (《上海市建設項目環境保護“三同時”竣工驗收單》) of KIWA-CW (Shanghai) approved by the local environmental protection authority, the kind and level of pollutants of KIWA-CW (Shanghai) are waste water with 1,200 tons per year, noises at 60 decibel, waste air and solid wastes. As required by the local authority, KIWA-CW (Shanghai) should discharge the wasted water into the city polluted water drainage, take sealed facilities to prevent wasted air from unorganized discharge, adopt low-noise facilities to relieve noise and engage qualified institutions to dispose of solid wastes.



---

## BUSINESS

---

Pursuant to the Acceptance Opinion on Environmental Protection of Completed Shanghai Construction Project of CWI (Shanghai) approved by the local environmental protection authority, the kind and level of pollutants of CWI (Shanghai) are waste water with 100 tons per year, noise at 39 decibel and solid wastes. As required by the local authority, CWI (Shanghai) should discharge the waste water into the city polluted water drainage, adopt low-noise facilities to relieve noise and engage qualified institutions to dispose of solid wastes.

Pursuant to the Application Form of Acceptance of Environmental Protection of Completed Construction Project (《建設項目竣工環境保護驗收申請表》) of Tianjin FeiSiTe approved by the local environmental protection authority, the kind and level of pollutants of Tianjin FeiSiTe are waste water with 1.6 ton per day, noise lower than 60 decibel and solid wastes. As required by the local authority, Tianjin FeiSiTe should reuse the wasted water to reach “zero discharge”, adopt low-noise facilities to relieve noise and engage qualified institutions to dispose of solid waste.

According to the confirmation of the Company and the aforesaid two letters issued by Environmental Protection Bureau of Minghang District, Shanghai to KIWA-CW (Shanghai) and CWI (Shanghai) and the Certificates issued by Environmental Protection Bureau of Tianjin Beichen District to Tianjin FeiSiTe, the three PRC subsidiaries have complied with the above-mentioned requirements of the local authorities on pollutant discharge and disposition.

We are also subject to PRC safety laws and regulations. More details of these laws and regulations are set out in the section headed “Regulatory overview” in this prospectus. We conduct regular fire and machine safety checks at our manufacturing facilities in the PRC and ensure that all workers have the necessary safety and protective gear they require. All of our PRC subsidiaries have complied with all relevant laws and regulations in respect of environmental protection and passed all relevant examinations in this regards. There has been no safety issue or environmental issue during our operation which may have adverse impact on us.

### **ADOPTION OF INTERNAL CONTROL POLICY**

In compliance with the relevant regulations and in order to improve our Group’s corporate governance, our Group will apply the following internal control policy:-

- (a) distribution to and review by our Directors of the detailed memorandum prepared by the legal advisers to our Company which sets out the requisite on-going regulatory requirements and obligations for our Directors after Listing;
- (b) training sessions attended by our Directors and senior management of our Group conducted by the legal advisers to our Company the on-going obligations and duties of a director of a company whose shares are listed on the Stock Exchange and further training programmes to be provided by the qualified PRC legal advisers engaged by us and/or any appropriate accredited institution to update our Directors, senior management and relevant employees on the relevant laws and regulations regularly every six months;

---

## BUSINESS

---

- (c) our appointment of three independent non-executive Directors with experience in financial, accounting and legal industries respectively. Our Company will be able to draw on their experience with respect to the compliance with applicable legal, regulatory and financial reporting requirements;
- (d) our Company will have access to external professionals retained or to be retained by our Group from time to time if applicable, including the compliance adviser, external legal counsel, auditors and other advisers as necessary and will report directly to the Board;
- (e) the establishment of an audit committee comprising the independent non-executive Directors who will review the internal control systems and procedures for compliance with relevant accounting, financial and Listing Rules requirements. The audit committee has adopted a term of reference setting out in details its duties and obligations for ensuring compliance with the relevant regulatory requirements; and
- (f) the intention to appoint Guotai Junan Capital Limited as our Company's compliance adviser to advise the Company on compliance matters in accordance with Rule 3A.19 of the Listing Rules.

Based on the above, our Directors and the Sole Sponsor are of the view that our Company has taken all reasonable steps to establish a proper internal control system to prevent future non-compliance with PRC laws and regulations by our Group.



---

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

---

### CONTROLLING SHAREHOLDERS

Immediately following completion of the Capitalization Issue and the Global Offering, WMS Holding, Mr. William Wong and Mr. Sam Wong together will own approximately 31.63% of the post offering enlarged issued share capital of our Company (assuming the Over-allotment Option and the options that may be granted under the Share Option Scheme are not exercised) and hence will continue to be the Controlling Shareholders of our Company. WMS Holding is a limited exempt private company incorporated in Singapore on 5 January 2007 and is owned as to 80% by Mr. William Wong and 20% by Mr. Sam Wong. WMS Holding is principally engaged in the business of investment holding. Mr. William Wong and Mr. Sam Wong are our executive Directors.

As at the Latest Practicable Date, none of WMS Holding, Mr. William Wong or Mr. Sam Wong was engaged in any other business which is or may be in competition with the business of our Group.

### INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors are satisfied that our Group is capable of carrying on its business independently from and does not have undue reliance on the Controlling Shareholders, taking into consideration, among other factors, the following factors:

#### Management Independence

Our Board comprises three executive Directors and three independent non-executive Directors.

Each of our Directors is aware of his fiduciary duties as a Director which require, among other things, that he acts for the benefit and in the best interest of our Company and does not allow any conflicts between his duties as a Director and his personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, according to our Articles, the interested Director(s), unless required by a majority of our independent non-executive Directors, shall not attend or participate in the discussion of the relevant resolutions at the relevant board meetings of our Company, shall abstain from voting at the relevant resolutions in respect of such transactions and shall not be counted in the quorum.

In addition, we have an independent senior management team to carry out the business decisions of our Group independently. Our Directors are satisfied that our senior management team is able to perform its role in our Group independently, and our Directors are of the view that we are capable of managing our business independently from our Controlling Shareholders after the Global Offering.

#### Operational Independence

Our major suppliers are all accessible independently from our Controlling Shareholders. We do not rely on our Controlling Shareholders or their associates for the provision of such raw materials.

---

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

---

Save as disclosed in the sub-paragraph headed “Material non – compliance incidents and indemnity” under the paragraph headed “Legal and regulatory matters” under the section headed “Business” in this prospectus, we hold all relevant licences and assets necessary to operate our business, and we have sufficient capital and employees to operate our business independently.

We also have independent access to our customers which are independent from the Controlling Shareholders and their associates. Our Group independently manages our own sourcing, marketing, distribution and customer relationship operations, and does not rely on the Controlling Shareholders and their associates for access to customers.

### **Financial Independence**

Our Group has an independent financial system and makes financial decisions according to our Group’s own business needs. Save for the personal guarantees provided by Mr. William Wong and Mr. Sam Wong to our Group which will be released and discharged upon Listing as disclosed in the paragraph headed “Personal Guarantees extended by Directors and Shareholders” in the section headed “Financial Information” of this prospectus, our Directors confirm that as at the Latest Practicable Date, there was no financial assistance, including amounts due to, and loans or guarantees provided by any of our Controlling Shareholders to our Group. Therefore, there is no financial dependence on our Controlling Shareholders on our part.

### **NON-COMPETITION UNDERTAKINGS**

Each of the Covenantors has entered into the Deed of Non-competition dated 14 March 2012 in favour of our Company, pursuant to which they have jointly and severally undertaken to our Company that they will not, and will procure that none of their respective associates (other than members of our Group) will, during the Restricted Period (as defined below), directly or indirectly, either on their own account, in conjunction with, on behalf of, or through any person, firm or company, among other things, carry on, participate or be interested, engaged or otherwise involved in or acquire or hold (in each case whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) the Restricted Activity.

The aforesaid non-competition undertaking does not apply where such Covenantor has interests in the shares of a company other than our Group provided that:

- (i) any Restricted Activity conducted or engaged in by such company (and assets relating to any Restricted Activity) accounts for less than 30% of that company’s consolidated sales or consolidated assets, as shown in that company’s latest audited accounts; and
- (ii) the total number of shares held by our Controlling Shareholders and their associates in aggregate does not exceed 30% of the issued shares of that class of the company in question and our Controlling Shareholders and their associates are not entitled to appoint a majority of the directors of that company.

---

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

---

Each of the Covenantors further unconditionally and irrevocably undertakes to procure that, during the Restricted Period (as defined below), any business investment or other commercial opportunity relating to the Restricted Activity (the “New Opportunity”) identified by or offered to such Covenantor and/or any of his or its associates (other than members of our Group) (the “Offeror”) is first referred to our Company in the following manner:

- (i) The Covenantors are required to, and shall procure their associates (other than members of our Group) to, refer, or procure the referral of, the New Opportunity to our Company, and shall give written notice to our Company of any New Opportunity containing all information reasonably necessary for our Company to consider whether (a) the New Opportunity would constitute competition with our core business and/or any other new business which our Group may undertake at the relevant time, and (b) it is in the interest of our Group to pursue the New Opportunity, including but not limited to the nature of the New Opportunity and the details of the investment or acquisition costs (the “Offer Notice”).
- (ii) The Offeror will be entitled to pursue the New Opportunity only if (a) the Offeror has received a written notice from our Company declining the New Opportunity and confirming that the New Opportunity would not constitute competition with our core business, or (b) the Offeror has not received the notice from our Company within ten (10) business Days from the receipt of the Offer Notice by our Company.

Under the Deed of Non-competition, each of the Covenantors further undertakes to our Company that the Convenantors shall, among other things:

- (i) procure all relevant information relating to the implementation of this Deed in their possession and/or the possession of any of their associates to be provided to our Company;
- (ii) allow, subject to confidentiality restrictions imposed by any third party, its representatives and those of our Company’s auditors to have access to their financial and corporate records as may be necessary for our Company to determine whether the non-competition undertakings have been complied with by the Covenantors and their associates;
- (iii) provide our Company, within ten (10) business days from the receipt of its written request, with a written confirmation in respect of their compliance and that of their associates with the non-competition undertakings and consent to the inclusion of such confirmation in our Company’s annual report; and
- (iv) acknowledge and agree that our Directors who have no material interest in the matters discussed will/may, based on the information available to them, review on an annual basis the compliance with the non-competition undertakings under the Deed of Non-competition.

---

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

---

The “Restricted Period” stated in the Deed of Non-competition refers to the period during which:

- (i) the Shares remain listed on the Stock Exchange; and
- (ii) the Covenantors and their associates (other than members of our Group), individually or jointly, are entitled to exercise, or control the exercise of, not less than 30% of the voting power at general meetings of our Company; or
- (iii) any of the Covenantors or the relevant associates remains as a director of any member of our Group.

---

## CONNECTED TRANSACTIONS

---

### EXEMPTED CONTINUING CONNECTED TRANSACTIONS

During the Track Record Period, our Group has entered into the following transaction in the ordinary course of business with a connected person. This transaction will constitute a fully-exempted continuing connected transaction under Chapter 14A of the Listing Rules upon Listing.

#### *Lease of plant and premises*

##### Background

Tianjin FeiSiTe (as lessee) entered into a lease agreement with Tianjin Xing Cai (as lessor) in respect of the lease of the plant and premises located at North of Jinba Road, Beichen District, Tianjin, the PRC with a gross floor area of 1,220 sq.m. for a term of three years from 1 May 2011 to 30 April 2014. The rent payable was calculated based on RMB0.25 per day per sq.m.. The independent valuer, DTZ Dehenham Tie Leung Limited is of the view that the terms of this lease agreement are normal commercial terms and the rent payable under the lease agreement is in line with the fair market rate.

As at the Latest Practicable Date, Tianjin Xing Cai was held as to approximately 97.47% by Mr. Fu and 2.53% by Mr. Fu Shung Yi, the son of Mr. Fu.

##### Historical amounts

During the Track Record Period, the rentals payable under the lease agreements were determined based on arm's length negotiations between the parties. The aggregate rentals paid by Tianjin FeiSiTe to Tianjin Xing Cai for the leases during the Track Record Period were as follows:

|  | For the year ended 31 December |          |          | For the<br>nine months<br>ended<br>30 September |
|--|--------------------------------|----------|----------|---|
|  | 2008                           | 2009     | 2010     | 2011  |
|  | HK\$'000                       | HK\$'000 | HK\$'000 | HK\$'000  |
| Rental paid for the leases of<br>plant and premises to<br>Tianjin Xing Cai | 109                            | 104      | 105      | 66  |

##### Listing Rules implications

Tianjin Xing Cai is an associate of Mr. Fu, who is our substantial Shareholder and thus, a connected person. Therefore, Tianjin Xing Cai is a connected person of the Company under the Listing Rules. The lease agreements between Tianjin Xing Cai and our Group will constitute a continuing connected transaction for the Company upon Listing.

---

## CONNECTED TRANSACTIONS

---

After Listing, we expect to continue to lease the plant and premises from Tianjin Xing Cai after the expiry of the lease agreements. The annual rentals payable to Tianjin Xing Cai for the year ended 31 December 2011 and for the two years ending 31 December 2012 and 2013 are expected to be less than HK\$1,000,000 each year. As the annual caps in respect of such continuing connected transactions are less than HK\$1,000,000, the transactions contemplated under the lease agreements with Tianjin Xing Cai will, therefore, fall within the *de minimis* exemption for the Company under Rule 14A.33(3) of the Listing Rules and will be exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Our Directors, including our independent non-executive Directors, confirm that the continuing connected transaction described above was entered into in the ordinary and usual course of business of our Company, on normal commercial terms and are fair and reasonable to our Company on the basis that the terms thereof are no less favorable to our Company than terms offered by Independent Third Parties, and therefore are in the interests of our Shareholders and our Company as a whole.

### RELATED PARTY TRANSACTIONS

During the Track Record Period, our Group entered into certain related party transactions, details of which are set out in Note 36 headed "Related Party Disclosures" to the Accountants' Report set out in Appendix I to this prospectus.

---

## DIRECTORS AND SENIOR MANAGEMENT

---

### DIRECTORS

Our Board comprises six Directors, among which there are three executive Directors and three independent non-executive Directors. The following table sets out the information of our Directors:

| Name  | Age | Position                             |
|---|-----|--------------------------------------|
| Mr. William Wong (黃觀立)  | 49  | executive Director, chairman and CEO |
| Mr. Lim Chwee Heng (林水興)  | 48  | executive Director and COO           |
| Mr. Sam Wong (黃文力)  | 52  | executive Director                   |
| Mr. Kuan Cheng Tuck (關正德)   | 40  | independent non-executive Director   |
| Mr. Ong Su Aun, Jeffrey<br>(alias Mr. Wang Ci'An, Jeffrey)<br>(王賜安) | 34  | independent non-executive Director   |
| Mr. Chan Hon Chung, Johnny (陳漢聰)                                    | 46  | independent non-executive Director   |

### Executive Directors

**Mr. William Wong (黃觀立)**, aged 49, is the founder, chairman and CEO of our Group. Mr. William Wong is the younger brother of Mr. Sam Wong. He was appointed as our executive Director on 11 June 2010. Mr. William Wong has over 23 years of experience in engineering industry. Mr. William Wong is responsible for the overall management, strategic planning and direction of our Group. Mr. William Wong has spearheaded the expansion and growth of our business, and oversees our Group's operations and strategic planning. He charts the overall corporate direction of our Group and the development of new services and markets for our Group. Mr. William Wong was able to secure partnerships and strategic alliances with well-established players such as KIWA and DMPG, and assisted our Group become a supplier of parts and components to Hewlett-Packard Singapore (Pte) Ltd..

Prior to establishing our Group in 1996, Mr. William Wong participated in a partnership, Eng Lian Huat Engineering & Trading, which was engaged in mechanical engineering works and the wholesaling of industrial machinery and equipment. He divested his interests in Eng Lian Huat Engineering & Trading in 1999. Mr. William Wong was awarded the National Trade Certificate in Metal Machining and the National Trade Certificate in Tool and Die Making (injection mould) by Vocational and Industrial Training Board of Singapore in 1981 and 1982 respectively.

During the three years preceding the Latest Practicable Date, Mr. William Wong did not hold any directorship in any public companies whose securities are listed on a stock exchange or any other major appointments.

**Mr. Lim Chwee Heng (林水興)**, aged 48, is our executive Director and COO. He joined our Group in November 2007 and he was appointed as our executive Director on 14 March 2012. He has over 20 years of experience in engineering industry. Mr. Lim Chwee Heng is responsible for the business operations of our Group. He has been assigned with the task to develop and improve our Group's operational processes and develop the operational capabilities of our Group.

---

## DIRECTORS AND SENIOR MANAGEMENT

---

Mr. Lim obtained a Bachelor of Engineering (Mechanical) from The National University of Singapore in 1988 and a Master of Business Administration (Accountancy) from Nanyang Technological University in 1999.

Prior to joining our Group, Mr. Lim had worked for Hewlett-Packard Singapore (Pte) Ltd. for 18 years. His last position with Hewlett-Packard Singapore (Pte) Ltd. was operations manager. From May 2006 to August 2007, he joined R-Logic International Pte Ltd as the director of operations.

Save as disclosed above, during the three years preceding the Latest Practicable Date, Mr. Lim did not hold any directorship in any public companies whose securities are listed on a stock exchange or any other major appointments.

**Mr. Sam Wong (黃文力)**, aged 52, is our executive Director and the director of operations and marketing for our business in the PRC. He is the elder brother of our chairman and CEO, Mr. William Wong. He joined our Group in 2004 and he was appointed as our executive Director on 11 June 2010. He is responsible for the day-to-day operations of our Group's business in the PRC and he also assists our CEO in the marketing, strategic planning and business development of our Group in Southern PRC.

Mr. Sam Wong obtained a Technician Diploma in Production Engineering from Singapore Polytechnic in 1979 and a Graduate Diploma in Marketing Management from Singapore Institute of Management in 1992.

During the three years preceding the Latest Practicable Date, Mr. Sam Wong did not hold any directorship in any public companies whose securities are listed on a stock exchange or any other major appointments.

### **Independent non-executive Directors**

**Mr. Kuan Cheng Tuck (關正德)**, aged 40, was appointed as our independent non-executive Director on 14 March 2012. Mr. Kuan has more than 15 years of experience in the fields of accounting and auditing as well as business and financial advisory. Prior to running his own accounting practice CT Kuan & Co, Mr. Kuan had worked with various international accounting firms in Singapore and Malaysia.

From 1999 to 2001, Mr. Kuan was a manager with Arthur Andersen and responsible for leading a team of auditors. From 2001 to 2004, he worked in Deloitte and Touche as an Audit Manager. In 2004, he started his own accounting practice, CT Kuan & Co, and he also set up his own business consulting companies, KCT Consulting Pte. Ltd. and Kreston Consulting Pte. Ltd., to provide business and financial consulting services.

Mr. Kuan graduated with a Bachelor degree of Accountancy from Nanyang Technological University in Singapore in 1993; he also obtained a Bachelor degree of Laws from University of London in 2004 as an external student. He is a fellow of The Association of Chartered Certified Accountants, United Kingdom and a member of Institute of Certified Public Accountants of Singapore. Mr. Kuan is also an associate of the Singapore Association of Institute of Chartered Secretaries and Administrators and an associate of Insolvency Practitioners Association of Singapore Limited.



---

## DIRECTORS AND SENIOR MANAGEMENT

---

He is an independent non-executive director of FDS Networks Group Limited and CNMC Goldmine Holdings Limited, both being companies listed on the SGX-ST. Mr. Kuan was also an independent non-executive director of ASA Group Holdings Ltd. and China Oilfield Technology Services Group Limited (both companies are listed on the SGX-ST) from 20 November 2007 to 29 April 2008 and from 1 October 2008 to 18 April 2010 respectively.

Save as disclosed above, during the three years preceding the Latest Practicable Date, Mr. Kuan did not hold any directorship in any public companies whose securities are listed on a stock exchange or any other major appointments.

**Mr. Ong Su Aun, Jeffrey** (alias **Mr. Wang Ci'An, Jeffrey**) (王賜安), aged 34, was appointed as our independent non-executive Director on 14 March 2012. Mr. Ong obtained a Bachelor degree of laws from The National University of Singapore in 2002 and completed the Postgraduate Practical Course in Law conducted by the Board of Legal Education Singapore in 2003. Mr. Ong was admitted as an advocate and solicitor of the Supreme Court, Singapore in May 2003 and a solicitor of the Supreme Court, England and Wales in February 2006. He is currently a partner at JLC Advisors LLP and previously practiced in the Litigation and Dispute Resolution department of Allen & Gledhill and the Dispute Resolution and Restructuring department at DLA Piper Rudnick Gray Cary (Singapore) Pte Ltd.

Mr. Ong is currently an independent non-executive director of Annica Holdings Limited, a company listed on the SGX-ST. He was also an independent director of Integra2000 Limited (currently known as Asiasons Capital Limited), SNF Corporation Ltd (currently known as Adventus Holdings Limited) and Enzer Corporation Limited (currently known as Vallianz Holdings Limited), all these companies being listed on the SGX-ST.

Save as disclosed above, during the three years preceding the Latest Practicable Date, Mr. Ong did not hold any directorship in any public companies whose securities are listed on a stock exchange or any other major appointments.

**Mr. Chan Hon Chung, Johnny** (陳漢聰), aged 46, was appointed as our independent non-executive Director on 14 March 2012. Mr. Chan has been working in the banking industry for 12 years including in banks such as ABN AMRO Bank, Standard Chartered Bank and The Bank of East Asia Limited. Mr. Chan has extensive knowledge and experience in the banking industry, including but not limited to business banking, handling borrowing accounts and debt recovery, marketing and operation of commercial banking. Mr. Chan holds a Bachelor degree of Science in Finance from Brigham Young University, US in 1988 and a Master degree in Professional Accounting from the Hong Kong Polytechnic University in 2001.

Mr. Chan has been an executive director of Swing Media Technology Group Limited, a company listed on the SGX-ST, since September 2004, and has been its company secretary and chief financial officer since May 2003.

Save as disclosed above, during the three years preceding the Latest Practicable Date, Mr. Chan did not hold any directorship in any public companies whose securities are listed on a stock exchange or any other major appointments.

---

## DIRECTORS AND SENIOR MANAGEMENT

---

The Code on Corporate Governance Practices in Appendix 14 to the Listing Rules provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. William Wong has been performing both the roles of chairman and CEO of our Group. Mr. Wong is the founder of our Group and has over 23 years of experience in the engineering industry. The Directors consider that vesting two roles in the same person provides our Group with strong and consistent leadership in the development and execution of our Group's business strategies and is beneficial to our Group. Our Directors will continue to review the effectiveness of the current structure and assess whether change in the separation of roles of chairman and CEO is necessary.

Save as disclosed above, there are no other matters or information that need to be brought to the attention of our Shareholders or the Stock Exchange and there are no other matters which shall be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

### SENIOR MANAGEMENT

**Mr. Fu Junwu** (付君武), aged 57, is responsible for operations and marketing for our cement production equipment business in the PRC. Mr. Fu joined our Group in 2007 and is responsible for overseeing the business performance of Tianjin FeiSiTe. Mr. Fu is also a director of Tianjin FeiSiTe.

Mr. Fu graduated from 廈門大學 (Xiamen University) in the PRC with a bachelor's degree in French at Foreign Languages and Cultures Department in 1982.

Prior to joining us, he had worked as the manager of External Liaison Department for 北京海懋通用技術有限公司 (Beijing Haimao General Technology Co., Ltd) from 1998 to 2001. From 2001 to 2005, Mr. Fu worked in FLS Automation (Tianjin) Co., Ltd. From 2005 onwards, Mr. Fu put focus on distributing the Pfister equipment and products through Tianjin FeiSiTe.

**Mr. Lee Tiang Soon** (李展存), aged 41, is our chief financial officer and he joined our Group in April 2008. He is responsible for the corporate finance function of our Group and matters relating to accounting, financial administration and the compliance and reporting obligations of our Group.

Mr. Lee graduated from Murdoch University, Australia in 1996 with a Bachelor of Commerce. He is a member of the Certified Practising Accountant of CPA Australia since 2006. He has also been a non-practising member of Institute of Certified Public Accountants of Singapore since 2007.

Prior to joining our Group, he worked in Ernst & Young LLP from 1996 to 2003 where he left as a manager. During this period, he controlled the audits allocated to him and the audit teams working on his engagements. His responsibilities included covering audits of clients in the various industries. From 2003 to 2006, he served as a senior manager at Alvarez & Marsal (SE Asia) Pte. Ltd. (formerly known as RSM Nelson Wheeler Tan Pte. Ltd.) in the areas of insolvency and advisory services, and he served as an associate director at Tay Swee Sze & Associates from 2006 to April 2008.

---

## DIRECTORS AND SENIOR MANAGEMENT

---

**Mr. Foo Suan Ping (符栓賓)**, aged 35, is our Group's financial controller and joined our Group in June 2004. He is responsible for assisting our chief financial officer in overseeing the day-to-day corporate financing, accounting, financial administration and the compliance and reporting obligations our Group.

Prior to joining our Group in 2004, Mr. Foo worked for Excel Machine Tools Ltd from February 1999 to July 2003 where he was promoted to finance manager and was assigned with the financial and accounting responsibility of our group. In June 2004 Mr. Foo was appointed as finance manager of CWG, and promoted to the position of financial controller of CWG in October 2007.

Mr. Foo graduated from Ngee Ann Polytechnic with a Diploma in Banking and Financial Services in 1996. He has been a fellow of The Association of Chartered Certified Accountants since April 2011 and has also been a non-practising member of Institute of Certified Public Accountants of Singapore since 2007.

**Mr. Tay Choon Guan, Jimmy (鄭春元)**, aged 49, is our head of operations and marketing for the Asia-Pacific Region (excluding the PRC) and joined our Group in October 2006. He is responsible for the day-to-day operations and marketing of our Group in the Asia-Pacific Region, excluding the PRC.

Prior to joining our Group, from 1996 to 2006, he was the sales manager of Press Automation Technologies Pte Ltd and was responsible for managing and generating sales. He is the brother of one of our Shareholders, Mr. Tay.

Save as disclosed above, none of the senior management has any relationship with any other Directors, senior management, substantial Shareholders or Controlling Shareholders of our Company.

### COMPANY SECRETARY

**Dr. Leung Wai Cheung (梁偉祥)**, aged 47, is a qualified accountant and chartered secretary with over 23 years of experience in accounting, auditing and financial management.

He graduated from Curtin University of Technology with a Bachelor degree of Commerce in accounting and subsequently obtained a Postgraduate Diploma in Corporate Administration and a Master degree in Professional Accounting from The Hong Kong Polytechnic University in 1999, a Doctor degree of Philosophy in Management from Empresarial University in Costa Rica and a Doctor degree of Education from the Bulacan State University in 2008. Dr. Leung is an associate of each of the Hong Kong Institute of Certified Public Accountants, CPA Australia, The Institute of Chartered Secretaries and Administrators, The Hong Kong Institute of Company Secretaries (currently known as The Hong Kong Institute of Chartered Secretaries) and The Taxation Institute of Hong Kong and a fellow of The Association of Chartered Certified Accountants.

---

## **DIRECTORS AND SENIOR MANAGEMENT**

---

He is an independent non-executive director of Mobicon Group Limited (stock code: 1213) and Sino Prosper State Gold Resources Holdings Limited (previously known as Sino Prosper Holdings Limited) (stock code: 766) which are companies listed on the Main Board of the Stock Exchange, and also an independent non-executive director of China Netcom Technology Holdings Limited (previously known as China Metal Resources Holdings Limited and Glory Future Group Limited) (stock code: 8071), a company listed on the Growth Enterprise Market of the Stock Exchange. Dr. Leung joined our Group as part-time company secretary on 14 March 2012. Dr. Leung will allocate sufficient time and resources to discharge his role of company secretary of the Company and secretarial support will be provided to Dr. Leung by our staff.

### **AUDIT COMMITTEE**

We established an audit committee on 14 March 2012 with written terms of reference in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control procedures of our Group.

The audit committee has three members, being all the independent non-executive Directors, namely Mr. Kuan Cheng Tuck, Mr. Ong Su Aun, Jeffrey and Mr. Chan Hon Chung, Johnny. Mr. Kuan Cheng Tuck is the chairman of the audit committee.

### **REMUNERATION COMMITTEE**

We established a remuneration committee on 14 March 2012 with written terms of reference in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The primary duties of the remuneration committee are to review and determine the terms of remuneration packages, bonuses and other compensation payable to the Directors and senior management of our Company.

The remuneration committee has three members, namely Mr. Chan Hon Chung Johnny, Mr. Ong Su Aun, Jeffrey and Mr. William Wong. Mr. Chan Hon Chung Johnny is the chairman of the remuneration committee.

### **NOMINATION COMMITTEE**

We established a nomination committee on 14 March 2012 with written terms of reference in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The primary duties of the nomination committee are to make recommendation to the Board on the nominees for appointment as Directors and senior management of our Company.

The nomination committee has three members, namely Mr. Kuan Cheng Tuck, Mr. Ong Su Aun, Jeffrey and Mr. William Wong. Mr. Ong Su Aun, Jeffrey is the chairman of the nomination committee.

---

## DIRECTORS AND SENIOR MANAGEMENT

---

Save for Mr. William Wong being both the chairman and the CEO of our Group, we shall comply with the corporate governance requirements under the Listing Rules and the Code on Corporate Governance as set out in Appendix 14 of the Listing Rules, including the revised rules and provisions which have/shall become effective on 1 January 2012/1 April 2012.

### DIRECTORS' REMUNERATION

The remuneration committee will regularly review and determine from time to time the remuneration and compensation of the Directors and senior management.

The aggregate remuneration paid to the Directors, including salaries, contributions to defined contribution benefit plans (including pensions) and discretionary bonuses, for each of the three years ended 31 December 2010 and the nine months ended 30 September 2011, amounted to approximately HK\$3.1 million, HK\$3.0 million, HK\$3.2 million and HK\$2.8 million respectively.

None of our Directors has waived or agreed to waive any remuneration during the same period. Save as disclosed above, no other payments have been made or are payable in respect of the years ended 31 December 2008, 2009, 2010 and the nine months ended 30 September 2011 by us or any of our subsidiaries to our Directors. We estimate that we will pay an aggregate amount of approximately S\$0.6 million (equivalent to approximately HK\$3.7 million) to our Directors as remuneration in respect of the year ending 31 December 2011, excluding any discretionary bonuses which may be paid to our Directors.

### COMPLIANCE ADVISER

We intend to appoint Guotai Junan Capital as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules.

Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise us on the following matters:

- (i) the publication of any regulatory announcement, circular or financial report;
- (ii) where a transaction, which might constitute a notifiable or connected transaction, is contemplated including share issues and share repurchases;
- (iii) where we propose to use the proceeds of the Global Offering in a manner different from that disclosed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate, or other information in this prospectus; and
- (iv) where the Stock Exchange makes an inquiry with us regarding unusual movements in the price or trading volume of the Shares.

---

## **DIRECTORS AND SENIOR MANAGEMENT**

---

The term of the appointment shall commence on the Listing Date and end on the date on which the Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year after the Listing Date (i.e. the date of despatch of the annual report of our Company in respect of its results for the financial year ending 31 December 2012), subject to extension by mutual agreement.

### **SHARE OPTION SCHEME**

Our Group has conditionally adopted the Share Option Scheme under which certain employees of our Group including the executive Directors may be granted options to subscribe for Shares. The principal terms of the Share Option Scheme are summarized in the paragraph headed “Share Option Scheme” in Appendix VI to this prospectus.

---

## SUBSTANTIAL SHAREHOLDERS

---

### SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, immediately following completion of the Global Offering and the Capitalization Issue (taking no account of the Shares which may be taken up under the Global Offering or any exercise of the Over-allotment Option or the options under the Share Option Scheme), the following persons will have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who will, directly or indirectly, be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

#### Long position in our Shares

| Name  | Capacity/Nature of interest        | Number of Shares | Approximate% of shareholding |
|---|------------------------------------|------------------|------------------------------|
| <i>Substantial Shareholders</i>                             |                                    |                  |                              |
| 1. WMS Holding  | Beneficial owner                   | 149,400,000      | 24.24%                       |
| 2. Mr. William Wong ( <i>Note 1</i> )                       | Interest in controlled corporation | 149,400,000      | 24.24%                       |
|   | Beneficial owner                   | 23,100,000       | 3.74%                        |
| 3. Ms. Lou Swee Lan ( <i>Note 2</i> )                       | Family                             | 172,500,000      | 27.98%                       |
| 4. Mr. Fu   | Beneficial owner                   | 107,052,400      | 17.37%                       |
| 5. Ms. Wang Shuhua ( <i>Note 3</i> )                        | Family                             | 107,052,400      | 17.37%                       |
| <i>Other Shareholders</i>                                   |                                    |                  |                              |
| 6. Mr. Sam Wong   | Beneficial owner                   | 22,500,000       | 3.65%                        |
|   | Indirect interest                  | 29,880,000       | 4.85%                        |
| 7. Ms. Jin Rao ( <i>Note 4</i> )                            | Family                             | 52,380,000       | 8.50%                        |
| 8. Phillip Ventures Enterprise Fund 2 Ltd ( <i>Note 5</i> ) | Beneficial owner                   | 44,378,000       | 7.20%                        |

---

## SUBSTANTIAL SHAREHOLDERS

---

*Notes:*

1. WMS Holding is owned as to 80% and 20% by Mr. William Wong and Mr. Sam Wong respectively. Mr. William Wong is deemed to be interested in the Shares held by WMS Holding under the SFO.
2. Ms. Lou Swee Lan is the spouse of Mr. William Wong. Ms. Lou Swee Lan is deemed to be interested in the Shares held by Mr. William Wong under the SFO.
3. Ms. Wang Shuhua is the spouse of Mr. Fu. Ms. Wang Shuhua is deemed to be interested in the Shares held by Mr Fu under the SFO.
4. Ms. Jin Rao is the spouse of Mr. Sam Wong. Ms. Jin Rao is deemed to be interested in the Shares held by Mr. Sam Wong under the SFO.
5. Phillip Ventures Enterprise Fund 2 Ltd. (“PVEF2”) is a company incorporated in Singapore. It is a private equity investment fund managed by Phillip Private Equity Pte Ltd (“PPE”) on a full discretionary basis. PPE holds the only issued ordinary share of PVEF2 and the preference shares in the capital of PVEF2 are held mainly by institutional investors and high net worth individuals. The ultimate holding company of PPE is Phillip Investment Corporation Pte. Ltd (“PIC”) and PIC is owned by Lim Hua Min and his brothers. PPE, PIC and Lim Hua Min are all deemed interested in the shares of CW Group Holdings Limited held by PVEF2.

Save as disclosed herein, the Directors are not aware of any person who will, immediately following completion of the Global Offering and the Capitalization Issue (taking no account of the Shares which may be taken up under the Global Offering or any exercise of the Over-allotment Option or the options under the Share Option Scheme), have an interest or a short position in Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, who will, directly or indirectly, be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group and are therefore regarded as substantial shareholders under the Listing Rules.



---

## SHARE CAPITAL

---

Authorized share capital: HK\$

|                       |        |                       |
|-----------------------|--------|-----------------------|
| <u>10,000,000,000</u> | Shares | <u>100,000,000.00</u> |
|-----------------------|--------|-----------------------|

*Issued and to be issued, fully paid or credited as fully paid upon completion of the Global Offering:*

|                    |  |                     |
|--------------------|--|---------------------|
| 4,664,170          | Shares in issue as at the date of this prospectus  | 46,641.70           |
| 461,752,830        | Shares to be issued under the Capitalization Issue | 4,617,528.30        |
| <u>150,000,000</u> | Shares to be issued under the Global Offering      | <u>1,500,000.00</u> |
| <u>616,417,000</u> | Shares   | <u>6,164,170.00</u> |

### Assumptions

The above table assumes that the Global Offering and the Capitalization Issue become unconditional but takes no account of any Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option or options which may be granted under the Share Option Scheme or of any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandates as described below.

### Ranking

The Offer Shares will rank pari passu in all respects with all Shares in issue or to be issued as set out in the above table, and will qualify in full for all dividends and other distributions hereafter declared, made or paid on the Shares after the date of this prospectus other than participation in the Capitalization Issue.

### Share Option Scheme

Our Company has conditionally adopted the Share Option Scheme, the principal terms of which are summarized in the paragraph headed “Share Option Scheme” in Appendix VI to this prospectus.

### General mandate to issue new Shares

Conditional on the conditions as stated in the section headed “Structure of the Global Offering” of this prospectus, the Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with a total nominal value of not more than the aggregate of:

1. 20% of the total nominal amount of Shares in issue immediately following completion of the Global Offering and the Capitalization Issue; and
2. the total nominal amount of the Shares repurchased by our Company (if any) pursuant to a separate mandate to repurchase Shares and described more fully below.

---

## SHARE CAPITAL

---

This general mandate is in addition to the powers of the Directors to allot, issue or deal with Shares under an issue by way of rights, an issue of Shares pursuant to the exercise of subscription rights attaching to any warrants of the Company or pursuant to any options granted under the Share Option Scheme, or an issue of Shares in respect of any scrip dividend or similar arrangement for the allotment and issue of Shares in lieu of the whole or part of the dividend on Shares.

This general mandate will expire:

- at the conclusion of our Company's next annual general meeting; or
- the expiration of the period within which our Company is required by the Articles or any applicable laws of the Cayman Islands to hold its next annual general meeting; or
- when varied or revoked by an ordinary resolution of the Shareholders in general meeting;

whichever occurs first.

For further details of this general mandate, please see the paragraph headed "Written resolutions of our Shareholders passed on 14 March 2012" in the section headed "Further information about our Company" in Appendix VI to this prospectus.

### **General mandate to repurchase Shares**

Conditional on the conditions as stated in the section headed "Structure of the Global Offering" in this prospectus, the Directors have been granted a general unconditional mandate to exercise all the powers of the Company to repurchase Shares with an aggregate nominal amount of not more than 10% of the total nominal amount of the Shares issued and to be issued following the completion of the Global Offering and the Capitalization Issue.

This general mandate only relates to repurchases made on the Stock Exchange or on any other stock exchange on which the Shares are listed (and which is recognized by the SFC and the Stock Exchange for this purpose), and which are in accordance with the Listing Rules and all applicable laws. A summary of the relevant requirements in the Listing Rules is set out in the paragraph headed "Repurchase of our Shares by our Company" in the section headed "Further information about our Company" in Appendix VI to this prospectus.

This general mandate will expire:

- at the conclusion of our Company's next annual general meeting; or
- the expiration of the period within which our Company is required by the Articles or any applicable laws of the Cayman Islands to hold its next annual general meeting; or
- when varied or revoked by an ordinary resolution of the Shareholders in general meeting;

whichever occurs first.

## FINANCIAL INFORMATION

*You should read the following discussion and analysis of the Company's financial condition and results of operations together with the financial information as at and for each of the three years ended 31 December 2010 and the nine months ended 30 September 2011, and the accompanying notes included in the Accountants' Report set out in Appendix I to this prospectus. The Accountants' Report has been prepared in accordance with IFRSs, which may differ in certain material respects from generally accepted accounting principles in other jurisdictions. Potential investors should read the whole of the Accountants' Report set out in Appendix I to this prospectus and not rely merely on the information contained in this section. The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. In evaluating the business of our Group, please refer to the section headed "Risk Factors" in this prospectus.*

### OVERVIEW

We are a precision engineering solutions provider and machine tool manufacturer and distributor serving customers from a wide range of industries, including the precision machine tool engineering, construction materials, electronics/semi-conductor, automotive, oil, gas and marine and aerospace industries. Head quartered in Singapore with production facilities in the PRC, our business covers geographical markets world wide including the PRC, Europe and the Asia-Pacific region.

Our Group is currently developing and extending its activities into Europe and has been collaborating with DMPG since January 2011. Through this strategic collaboration with DMPG, our Group will be well placed to produce CNC horizontal machining centres targeting at the high-end segment of the precision engineering market in the PRC and other emerging markets via the OEM project. Our Group has already received purchase orders from DMPG and mass production commenced in early 2012.

The breakdown of our revenue by business segments during the Track Record Period is set out below:

|  | Year ended 31 December |              |                |              |                |              | Nine months ended 30 September |              |                |              |
|--|------------------------|--------------|----------------|--------------|----------------|--------------|--------------------------------|--------------|----------------|--------------|
|  | 2008                   |              | 2009           |              | 2010           |              | 2010                           |              | 2011           |              |
|  | HK\$'000               | %            | HK\$'000       | %            | HK\$'000       | %            | HK\$'000                       | %            | HK\$'000       | %            |
| Precision engineering solutions projects | 71,777                 | 24.6         | 87,058         | 30.0         | 196,493        | 41.9         | 76,068                         | 29.1         | 243,448        | 44.6         |
| Sales of cement production equipment     | 126,316                | 43.3         | 147,603        | 51.0         | 178,316        | 38.0         | 125,917                        | 48.2         | 92,447         | 17.0         |
| Sales of CNC machining centres           | 28,478                 | 9.8          | 14,133         | 4.9          | 48,134         | 10.2         | 30,743                         | 11.8         | 54,425         | 10.0         |
| Sales of components and parts            | 44,165                 | 15.1         | 15,101         | 5.2          | 23,430         | 5.0          | 19,645                         | 7.5          | 136,227        | 25.0         |
| After-sales technical support services   | 20,907                 | 7.2          | 25,816         | 8.9          | 23,077         | 4.9          | 8,977                          | 3.4          | 18,740         | 3.4          |
| <b>Total</b>                             | <b>291,643</b>         | <b>100.0</b> | <b>289,711</b> | <b>100.0</b> | <b>469,450</b> | <b>100.0</b> | <b>261,350</b>                 | <b>100.0</b> | <b>545,287</b> | <b>100.0</b> |

---

## FINANCIAL INFORMATION

---

Due to the nature of our different business segments, our business segments operate independently of each other and there is no, or limited, interaction between our various business segments.

### **BASIS OF PREPARATION OF FINANCIAL INFORMATION**

Pursuant to the Reorganization as more fully explained in the paragraph headed “History and Development” in the section headed “Company History and Reorganization” to the Prospectus, the Company became the holding company of the companies now comprising our Group on 13 March 2012. For the purpose of this report, the financial information has been prepared on a combined basis by applying the principles of merger accounting as if the Reorganization had been completed at the beginning of the Relevant Periods.

The combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows of our Group for the Track Record Period; include the results and cash flows of all companies now comprising our Group from the earliest date presented or since the date when the subsidiaries and/or businesses first came under the common control of the controlling shareholders, where this is a shorter period. The combined statements of financial position of our Group as at 31 December 2008, 2009 and 2010, and 30 September 2011 have been prepared to present the assets and liabilities of the subsidiaries and/or businesses using the existing book values from the controlling shareholders’ perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of Reorganization.

Equity interests in subsidiaries and/or businesses held by parties other than the controlling shareholders, and changes therein, prior to the Reorganization are presented as non-controlling interests in equity in applying the principles of merger accounting.

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

### **FACTORS AFFECTING OUR RESULTS OF OPERATION**

Our results of operations and financial condition have been and will continue to be affected by a number of factors, including those set out below.

#### **Cost of our key materials**

Expenses on CNC machining centres, and metal components and parts form most of our cost of materials, representing approximately 97.1%, 97.2%, 97.5% and 99.1% of our total cost of goods sold during the Track Record Period respectively. These expenses on CNC machining centres and metal components and parts are affected by the price of cast iron. In addition, we also use cast iron as direct raw materials in our manufacturing process.

The prices at which we purchase our raw materials and inventories are based on prevailing market prices which are affected by market supply and demand, the conditions of which may fluctuate from time to time. The prices for our cost of materials may also appreciate suddenly due to intervening factors such as a sudden outbreak of war or supply disruptions. In addition, the prices of materials may also fluctuate due to the implementation of government policies which may affect their supply and/or demand.

---

## FINANCIAL INFORMATION

---

In the event that our material prices increased suddenly, our cost of production and cost of sales will increase and if we are unable to pass on such increase to our customers, our gross profit and gross profit margin and our results of operation may be adversely affected.

### **Our ability to maintain agency rights**

We have been appointed by a number of machinery manufacturers as their authorized agents (either on an exclusive or non-exclusive basis). The scopes of these agencies vary from manufacturer to manufacturer but typically include, but are not limited to, dealing with the manufacturer's correspondence, technical and maintenance enquiries and provision of service support for the manufacturer's customers. The revenue attributable to the agency arrangements during the Track Record Period was approximately HK\$97.1 million, HK\$66.7 million, HK\$67.4 million and HK\$6.2 million respectively. The gross profit attributable to the agency arrangements during the Track Record Period was approximately HK\$19.2 million, HK\$13.2 million, HK\$11.4 million and HK\$2.2 million respectively.

Moreover, due to the non-exclusive nature of some of these agencies, our Group faces competition from other competitors for the manufacturers' business and there is nothing to prevent these manufacturers from giving their business to our competitors. In such an event, the profitability of our Group's business would be adversely affected.

### **Project based orders**

Due to the nature of our Group's business, the majority of orders received from our customers are project-based orientated. As we do not have any long term contractual arrangements with our customers, there is no assurance that we will continue to secure the orders from these customers or maintain or increase our current level of business activities with them in the future. The loss of any of our major customers or any material decline or cancellation of orders from them may adversely affect our revenue and gross profit. Moreover, as precision engineering equipment possesses a relatively long life-span, there is thus no requirement for us to maintain continuous long-term business relationships with our customers. Our financial performance may be affected in the event that we are unable to secure business from future projects and new customers which may adversely affect our revenue, gross profit, gross profit margin and results of operation.

### **Increase in labour costs**

For the three years ended 31 December 2008, 2009, 2010 and the nine months ended 30 September 2011, the cost of direct labour accounted for approximately 1.9%, 2.2%, 1.5% and 1.1% respectively, of our production costs. Labour costs in the PRC have been increasing and may continue to increase in the future. We cannot assure that we will not encounter any shortage of labour or that the cost of labour will not increase in the future. If we encounter a shortage of labour, we may not be able to maintain our production capacity. If we cannot identify and employ other appropriate means to reduce our production costs, or pass on such increase in the labour costs to our customers, our labour costs will increase, and accordingly, our cost of goods sold, gross profit, gross profit margin and profitability may be materially and adversely affected.

---

## FINANCIAL INFORMATION

---

### Ability to collect our trade receivables

Due to the nature and industry practice of the machine tools industry, we grant to our customers credit periods ranging from 30 days to 360 days. During the Track Record Period, our trade receivable turnover days were in average 151 days, 178 days, 147 days and 177 days, respectively. The general range of credit periods for our various business segments are set out below:

|  |                      |
|--|----------------------|
| Precision engineering solutions projects | 60 days to 270 days  |
| Sales of cement production equipment     | 0 days to 120 days   |
| Sales of CNC machining centres           | 60 days to 180 days  |
| Sales of components and parts            | 30 days to 180 days* |
| After-sales technical support services   | 30 days to 360 days  |

\* Depending on the scale of individual construction projects of our customers, the credit terms granted for sales of photovoltaic components and parts ranged from 3 days to 3 weeks upon such projects reached certain milestone.

Our net trade receivables as at 30 September 2011 was approximately HK\$474.9 million, representing approximately 69.3% of our current asset as at 30 September 2011. As at 30 September 2011, our allowance for doubtful debt of trade receivables was approximately HK\$1.5 million. Net allowance for doubtful debt and bad debts written off/(back) during the Track Record Period were approximately HK\$0.2 million, HK\$(0.1) million, HK\$0.3 million and HK\$1.1 million respectively.

In the event that we are unable to collect our trade receivables, it may affect our cash flow management and our operations may be adversely affected. Any allowance required for doubtful debts of write-off of bad debts may have an adverse effect to our results of operations.

### General economic condition

During the Track Record Period, a significant portion of our revenue was derived from our business in the PRC and Singapore. The following table sets out the percentage of revenue of our Group derived from the PRC and Singapore during the Track Record Period:

|           | Year ended 31 December |      |          |      |          |      | Nine months ended 30 September |      |          |      |
|-----------|------------------------|------|----------|------|----------|------|--------------------------------|------|----------|------|
|           | 2008                   |      | 2009     |      | 2010     |      | 2010                           |      | 2011     |      |
|           | HK\$'000               | %    | HK\$'000 | %    | HK\$'000 | %    | HK\$'000                       | %    | HK\$'000 | %    |
| The PRC   | 168,677                | 57.8 | 175,718  | 60.7 | 256,089  | 54.6 | 160,163                        | 61.3 | 164,130  | 30.1 |
| Singapore | 90,312                 | 31.0 | 59,629   | 20.6 | 68,492   | 14.6 | 25,770                         | 9.9  | 32,073   | 5.9  |

(unaudited)

The percentage of our revenue from the PRC was relatively comparable during Track Record Period. Our percentage of revenue from Singapore had a decreasing trend a result of the diversification of industries as well as the expanding of our sales to other Asian countries.

In uncertain economic conditions, customers may be less likely to invest in capital assets. Our financial performance may be affected in the event that we are unable to secure business from future projects and new customers which may adversely affect our revenue, gross profit, gross profit margin and results of operation.

---

## FINANCIAL INFORMATION

---

### **Taxation**

Our future profits will be affected by changes in tax rates, particularly the applicable tax rates in the PRC as we carry out the majority of business and derive most of our revenue and profits from the PRC. On 16 March 2007, the National People's Congress of the PRC promulgated the Tax Law, which came into effect on 1 January 2008 and supersedes both the Foreign-invested Enterprise and Foreign Enterprise Income Tax Law of the PRC (中華人民共和國外商投資企業和外國企業所得稅法) and the Provisional Regulations on Enterprise Income Tax of the PRC (中華人民共和國企業所得稅暫行條例). The Tax Law consolidates the two separate tax regimes for domestic enterprises and foreign-invested enterprises and imposes a unified enterprise income tax rate of 25% for both types of enterprises.

Under the Tax Law, enterprises that enjoyed a preferential tax rate prior to the promulgation of the Tax Law are given a five-year grace period from 1 January 2008 to gradually transit to the new tax rate. Enterprises that enjoyed a tax rate of 24% would have their tax rate increased to 25% in 2008. Enterprises which enjoyed a fixed period of tax exemption and reduction prior to the Tax Law's promulgation would continue to enjoy such preferential tax treatment until the expiry of such prescribed period, and for those enterprises whose preferential tax treatment has not commenced due to lack of profit, such preferential tax treatment would commence from 1 January 2008.

Some of our subsidiaries and jointly – controlled entity established in the PRC are currently entitled to tax concessions. For example, tax rate for Tianjin FeiSiTe is 15% under High-Tech Enterprise Certificate and KIWA-CW (Shanghai) is subject to corporate income tax at a reduced rate of 12.5% for the year ending 31 December 2012. Should the PRC tax regulations and tax rates change in the future, our net profit and/or results of operations will be adversely affected.

### **CRITICAL ACCOUNTING POLICIES**

Our financial information has been prepared in accordance with IFRSs. The preparation of financial information is in conformity with IFRSs and requires our management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. We believe the following critical accounting policies involve the most significant judgements and estimates used in the preparation of our financial information.

#### **Impairment of non-financial assets (other than goodwill)**

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash generating unit to which the asset belongs.

---

## FINANCIAL INFORMATION

---

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assets of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset. An assessment is made at the end of each reporting period as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognized for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

### **Property, plant and equipment and depreciation**

Property, plant and equipment 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 profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized in the carrying amount of the asset as replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, our Group recognises such parts as individual assets with specific useful lives and depreciate them accordingly.

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 over its estimated useful life.

Assets under construction are not depreciated as these assets are not yet available for use. 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 least at each financial year end. An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in profit or loss in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.



---

## FINANCIAL INFORMATION

---

### Revenue recognition

Revenue is recognized 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; the revenue from our precision engineering solutions projects segment, sales of cement production equipment segment, sales of CNC machining centres segment and sales of components and parts segment is recognized using this method;
- (b) from the rendering of services, on the straight-line basis over the specified period of time; the revenue from our after-sales technical support services is recognized using this method;
- (c) commission income for rendering of services is recognized when the services are rendered. During the Track Record Period, our commission income arose out of referral of sales for a project which we did not carry out by ourselves after considering the additional financing requirement for that particular project. Instead, we referred the customers to the suppliers and received commission income, which was recorded under relevant after-sales technical support services segment;
- (d) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset;
- (e) rental income, on a time proportion basis over the lease terms; and
- (f) dividend income, when the shareholders' right to receive payment has been established.

### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work-in-progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

### RESULTS OF OPERATION

The table below summarises the combined audited results of our Group for each of the Track Record Period, which is extracted from and has been prepared in accordance with the basis as set out in the Accountants' Report in Appendix I to this prospectus. This summary should be read in conjunction with the Accountants' Report.

## FINANCIAL INFORMATION

### Combined statements of comprehensive income

|  | Year ended 31 December |                      |                      | Nine months ended<br>30 September |                      |
|--|------------------------|----------------------|----------------------|-----------------------------------|----------------------|
|  | 2008                   | 2009                 | 2010                 | 2010                              | 2011                 |
|  | <i>HK\$'000</i>        | <i>HK\$'000</i>      | <i>HK\$'000</i>      | <i>HK\$'000</i><br>(unaudited)    | <i>HK\$'000</i>      |
| Revenue  | 291,643                | 289,711              | 469,450              | 261,350                           | 545,287              |
| Cost of sales  | <u>(198,410)</u>       | <u>(185,017)</u>     | <u>(324,206)</u>     | <u>(178,390)</u>                  | <u>(420,942)</u>     |
| Gross profit   | 93,233                 | 104,694              | 145,244              | 82,960                            | 124,345              |
| Other income and gains   | 3,502                  | 4,149                | 2,064                | 2,010                             | 1,273                |
| Selling and distribution expenses  | (15,652)               | (18,365)             | (18,814)             | (12,932)                          | (18,586)             |
| Administrative expenses  | (23,559)               | (24,122)             | (27,401)             | (18,128)                          | (27,973)             |
| Finance costs  | (4,521)                | (4,053)              | (28,669)             | (17,906)                          | (18,472)             |
| Other operating expenses   | <u>(3,256)</u>         | <u>(1,674)</u>       | <u>(1,060)</u>       | <u>(3,365)</u>                    | <u>(3,349)</u>       |
| Profit before tax  | 49,747                 | 60,629               | 71,364               | 32,639                            | 57,238               |
| Income tax expense   | <u>(8,142)</u>         | <u>(14,179)</u>      | <u>(20,744)</u>      | <u>(13,369)</u>                   | <u>(17,472)</u>      |
| <b>Profit for the year/period</b>  | <u>41,605</u>          | <u>46,450</u>        | <u>50,620</u>        | <u>19,270</u>                     | <u>39,766</u>        |
| <b>Other comprehensive income</b>  |                        |                      |                      |                                   |                      |
| Exchange differences on translation<br>of foreign operations               | 8,983                  | 773                  | 2,673                | (532)                             | 5,266                |
| Fair value of derivative   | <u>–</u>               | <u>–</u>             | <u>(2,000)</u>       | <u>(2,000)</u>                    | <u>–</u>             |
| Other comprehensive income<br>for the year/period, net of tax              | <u>8,983</u>           | <u>773</u>           | <u>673</u>           | <u>(2,532)</u>                    | <u>5,266</u>         |
| <b>Total comprehensive income<br/>for the year/period</b>                  | <u><u>50,588</u></u>   | <u><u>47,223</u></u> | <u><u>51,293</u></u> | <u><u>16,738</u></u>              | <u><u>45,032</u></u> |
| <b>Profit for the year/period<br/>attributable to:</b>                     |                        |                      |                      |                                   |                      |
| Owners of the Company  | 25,640                 | 24,939               | 26,852               | 560                               | 39,766               |
| Non-controlling interests  | <u>15,965</u>          | <u>21,511</u>        | <u>23,768</u>        | <u>18,710</u>                     | <u>–</u>             |
|  | <u><u>41,605</u></u>   | <u><u>46,450</u></u> | <u><u>50,620</u></u> | <u><u>19,270</u></u>              | <u><u>39,766</u></u> |
| <b>Total comprehensive income for<br/>the year/period attributable to:</b> |                        |                      |                      |                                   |                      |
| Owners of the Company  | 32,252                 | 25,733               | 27,525               | (4,503)                           | 45,032               |
| Non-controlling interests  | <u>18,336</u>          | <u>21,490</u>        | <u>23,768</u>        | <u>21,241</u>                     | <u>–</u>             |
|  | <u><u>50,588</u></u>   | <u><u>47,223</u></u> | <u><u>51,293</u></u> | <u><u>16,738</u></u>              | <u><u>45,032</u></u> |

## FINANCIAL INFORMATION

### Combined statements of financial position

|  | <b>2008</b>           | <b>31 December<br/>2009</b> | <b>2010</b>           | <b>30 September<br/>2011</b> |
|--|-----------------------|-----------------------------|-----------------------|------------------------------|
|  | <i>HK\$'000</i>       | <i>HK\$'000</i>             | <i>HK\$'000</i>       | <i>HK\$'000</i>              |
| <b>Non-current assets</b>                    |                       |                             |                       |                              |
| Property, plant and equipment                | 17,667                | 18,830                      | 25,557                | 25,326                       |
| Prepaid land lease payments                  | 792                   | 781                         | 798                   | 817                          |
| Deferred tax assets                          | 140                   | 315                         | 80                    | 95                           |
| Goodwill                                     | 31,640                | 31,649                      | 32,874                | 34,042                       |
| Other receivables                            | 2,693                 | –                           | –                     | –                            |
| Investment in jointly-controlled entities    | –                     | –                           | –                     | –                            |
|  | <u>52,932</u>         | <u>51,575</u>               | <u>59,309</u>         | <u>60,280</u>                |
| <b>Current assets</b>                        |                       |                             |                       |                              |
| Inventories                                  | 18,897                | 15,524                      | 20,946                | 31,001                       |
| Trade receivables                            | 138,441               | 144,389                     | 232,483               | 474,931                      |
| Other receivables                            | 79,719                | 113,504                     | 141,922               | 138,085                      |
| Pledged deposits                             | 5,912                 | 5,735                       | 5,342                 | 1,418                        |
| Cash and bank balances                       | 34,465                | 73,389                      | 115,413               | 39,137                       |
|  | <u>277,434</u>        | <u>352,541</u>              | <u>516,106</u>        | <u>684,572</u>               |
| <b>Current liabilities</b>                   |                       |                             |                       |                              |
| Bank loans and overdrafts                    | 22,968                | 23,260                      | 20,396                | 9,187                        |
| Trade payables                               | 91,608                | 90,362                      | 160,772               | 317,214                      |
| Other payables and accruals                  | 61,153                | 87,065                      | 141,033               | 102,930                      |
| Redeemable convertible loan                  | –                     | –                           | 37,544                | 53,096                       |
| Derivative liabilities                       | –                     | –                           | 43,014                | 40,677                       |
| Finance lease payable                        | 2,942                 | 1,830                       | 1,461                 | 648                          |
| Tax payables                                 | 6,523                 | 4,850                       | 9,032                 | 11,161                       |
|  | <u>185,194</u>        | <u>207,367</u>              | <u>413,252</u>        | <u>534,913</u>               |
| <b>Net current assets</b>                    | <u>92,240</u>         | <u>145,174</u>              | <u>102,854</u>        | <u>149,659</u>               |
| <b>Total assets less current liabilities</b> | <u>145,172</u>        | <u>196,749</u>              | <u>162,163</u>        | <u>209,939</u>               |
| <b>Non-current liabilities</b>               |                       |                             |                       |                              |
| Bank loans                                   | –                     | –                           | 3,295                 | 2,106                        |
| Finance lease payable                        | 2,840                 | 2,517                       | 1,125                 | 756                          |
| Deferred tax liabilities                     | 3,787                 | 8,464                       | 15,215                | 19,517                       |
|  | <u>6,627</u>          | <u>10,981</u>               | <u>19,635</u>         | <u>22,379</u>                |
| <b>Net assets</b>                            | <u><u>138,545</u></u> | <u><u>185,768</u></u>       | <u><u>142,528</u></u> | <u><u>187,560</u></u>        |
| <b>Capital and reserves</b>                  |                       |                             |                       |                              |
| Issued capital                               | 51,974                | 51,974                      | 125,472               | 125,472                      |
| Retained earnings                            | 47,229                | 71,964                      | 98,603                | 138,165                      |
| Other reserves                               | 6,190                 | 7,188                       | (81,547)              | (76,077)                     |
| Equity attributable to owners of the Company | 105,393               | 131,126                     | 142,528               | 187,560                      |
| Non-controlling interests                    | 33,152                | 54,642                      | –                     | –                            |
| <b>Total equity</b>                          | <u><u>138,545</u></u> | <u><u>185,768</u></u>       | <u><u>142,528</u></u> | <u><u>187,560</u></u>        |

---

## FINANCIAL INFORMATION

---

### MANAGEMENT DISCUSSION AND ANALYSIS OF OUR GROUP

The following is a discussion of the results of the operations of our Group for the three years ended 31 December 2010 and the nine months ended 30 September 2011. It should be read in conjunction with the financial information and related notes and other financial data in the Accountants' Report on our Group, the text of which is set forth in Appendix I to this prospectus.

#### Description of certain income statement items

##### *Revenue*

Revenue from precision engineering solutions projects relates mainly to the provision of precision engineering solutions specific to machine tools and machinery and equipment encompassing conceptualisation and design to production line set-up, commissioning and maintenance of production lines. For the three years ended 31 December 2008, 2009, 2010 and the nine months ended 30 September 2011, approximately 24.6%, 30.0%, 41.9% and 44.6% of our total revenue was derived from precision engineering solutions projects respectively. The increase in contribution of revenue from precision engineering solutions projects in 2010 and 2011 are mainly due to projects secured in new markets such as India and Indonesia.

Revenue from sales of CNC machining centres primarily relates to sales of precision engineering manufacturing equipment operable under CNC automation. For the years ended 31 December 2008, 2009, 2010 and the nine months ended 30 September 2011, approximately 9.8%, 4.9%, 10.2% and 10.0% of our total revenue was derived from sales of CNC machining centres respectively. Despite the overall increase in our Group's revenue, the revenue contribution from sales of CNC machining centres was able to remain constant. This is largely due to the increased sales of our own in-house brands, "KIWA-CW" and "KIWA", machining centres in the PRC market.

Revenue from sales of cement production equipment relates mainly to the sale of our own branded "菲斯特" equipment as well as the "Pfister" brand rotor weighfeeders for the construction materials industry. For the years ended 31 December 2008, 2009, 2010 and the nine months ended 30 September 2011, approximately 43.3%, 51.0%, 38.0% and 17.0% of our total revenue was derived from sales of cement production equipment respectively. The decline in proportion of revenue contribution in 2010 and 2011 was due to an overall increase in sales in the other business segments of our Group, as well as the stabilisation of demand from customers in the construction materials industry following the heightened demands in 2009 and 2010.

Revenue from sales of components and parts relates mainly to sales of self-manufactured and trading of components and parts. For the years ended 31 December 2008, 2009, 2010 and the nine months ended 30 September 2011, approximately 15.1%, 5.2%, 5.0% and 25.0% of our total revenue was derived from sales of components and parts respectively. The increase in contribution from the sales of components and parts in the nine months ended 30 September 2011 was mainly attributable to the trading sales of photovoltaic components and parts which amounted to approximately HK\$116.1 million. During the nine months ended 30 September 2011, we secured an order of photovoltaic modules in June 2011 amounting to approximately HK\$66.7 million and two orders in September 2011 amounting to approximately HK\$49.4 million for the construction of photovoltaic plants by these customers. These sales were order-driven, non-recurring and trading in nature.

## FINANCIAL INFORMATION

Revenue from after-sales technical support services is primarily the provision of technical repairs and maintenance services in relation to our Group's other business segments. For the years ended 31 December 2008, 2009, 2010 and the nine months ended 30 September 2011, approximately 7.2%, 8.9%, 4.9% and 3.4% of our total revenue was derived from after-sales technical support services respectively.

Set out below is a breakdown of our revenue by business segments during the Track Record Period:

|  | Year ended 31 December |                     |                       |                     |                       |                     | Nine months ended 30 September |                     |                       |                     |
|--|------------------------|---------------------|-----------------------|---------------------|-----------------------|---------------------|--------------------------------|---------------------|-----------------------|---------------------|
|  | 2008                   |                     | 2009                  |                     | 2010                  |                     | 2010                           |                     | 2011                  |                     |
|  | HK\$'000               | %                   | HK\$'000              | %                   | HK\$'000              | %                   | HK\$'000                       | %                   | HK\$'000              | %                   |
|  | (unaudited)            |                     |                       |                     |                       |                     |                                |                     |                       |                     |
| Precision engineering solutions projects | 71,777                 | 24.6                | 87,058                | 30.0                | 196,493               | 41.9                | 76,068                         | 29.1                | 243,448               | 44.6                |
| Sales of cement production equipment     | 126,316                | 43.3                | 147,603               | 51.0                | 178,316               | 38.0                | 125,917                        | 48.2                | 92,447                | 17.0                |
| Sales of CNC machining centres           | 28,478                 | 9.8                 | 14,133                | 4.9                 | 48,134                | 10.2                | 30,743                         | 11.8                | 54,425                | 10.0                |
| Sales of components and parts            | 44,165                 | 15.1                | 15,101                | 5.2                 | 23,430                | 5.0                 | 19,645                         | 7.5                 | 136,227               | 25.0                |
| After-sales technical support services   | <u>20,907</u>          | <u>7.2</u>          | <u>25,816</u>         | <u>8.9</u>          | <u>23,077</u>         | <u>4.9</u>          | <u>8,977</u>                   | <u>3.4</u>          | <u>18,740</u>         | <u>3.4</u>          |
| <b>Total</b>                             | <b><u>291,643</u></b>  | <b><u>100.0</u></b> | <b><u>289,711</u></b> | <b><u>100.0</u></b> | <b><u>469,450</u></b> | <b><u>100.0</u></b> | <b><u>261,350</u></b>          | <b><u>100.0</u></b> | <b><u>545,287</u></b> | <b><u>100.0</u></b> |

The following table sets out the breakdown of our Group's revenue by geographical location during the Track Record Period:

|                      | Year ended 31 December |                     |                       |                     |                       |                     | Nine months ended 30 September |                     |                       |                     |
|----------------------|------------------------|---------------------|-----------------------|---------------------|-----------------------|---------------------|--------------------------------|---------------------|-----------------------|---------------------|
|                      | 2008                   |                     | 2009                  |                     | 2010                  |                     | 2010                           |                     | 2011                  |                     |
|                      | HK\$'000               | %                   | HK\$'000              | %                   | HK\$'000              | %                   | HK\$'000                       | %                   | HK\$'000              | %                   |
|                      | (unaudited)            |                     |                       |                     |                       |                     |                                |                     |                       |                     |
| Asia Pacific region: |                        |                     |                       |                     |                       |                     |                                |                     |                       |                     |
| The PRC              | 168,677                | 57.8                | 175,718               | 60.7                | 256,089               | 54.6                | 160,163                        | 61.3                | 164,130               | 30.1                |
| Singapore            | 90,312                 | 31.0                | 59,629                | 20.6                | 68,492                | 14.6                | 25,770                         | 9.9                 | 32,073                | 5.9                 |
| Indonesia            | -                      | -                   | -                     | -                   | 24,720                | 5.3                 | 8,652                          | 3.3                 | 48,446                | 8.9                 |
| Malaysia             | 5,852                  | 2.0                 | 3,465                 | 1.2                 | 25,686                | 5.5                 | 21,303                         | 8.2                 | 40,413                | 7.4                 |
| Thailand             | 9,416                  | 3.2                 | 16,306                | 5.6                 | 7,717                 | 1.6                 | 7,054                          | 2.7                 | 28,083                | 5.2                 |
| India                | -                      | -                   | -                     | -                   | 45,218                | 9.6                 | 24,675                         | 9.4                 | 64,451                | 11.8                |
| Others               | 15,348                 | 5.3                 | 31,155                | 10.8                | 24,610                | 5.2                 | 882                            | 0.3                 | 5,809                 | 1.1                 |
| Europe               | 87                     | 0.0                 | 1,180                 | 0.4                 | 12,878                | 2.7                 | 9,657                          | 3.7                 | 161,765               | 29.6                |
| Others               | <u>1,951</u>           | <u>0.7</u>          | <u>2,258</u>          | <u>0.7</u>          | <u>4,040</u>          | <u>0.9</u>          | <u>3,195</u>                   | <u>1.2</u>          | <u>117</u>            | <u>-</u>            |
| <b>Total</b>         | <b><u>291,643</u></b>  | <b><u>100.0</u></b> | <b><u>289,711</u></b> | <b><u>100.0</u></b> | <b><u>469,450</u></b> | <b><u>100.0</u></b> | <b><u>261,350</u></b>          | <b><u>100.0</u></b> | <b><u>545,287</u></b> | <b><u>100.0</u></b> |

---

## FINANCIAL INFORMATION

---

During the Track Record Period, the focus of our business was in the PRC and the Asia-Pacific region in particular the PRC and Singapore. Since 2010, we have expanded our business to high-growth emerging markets such as India and Indonesia.

### *Cost of sales*

The cost of sales of our Group accounted for approximately 68.0%, 63.9%, 69.1% and 77.2% of our revenue during the three years ended 31 December 2010 and the nine months ended 30 September 2011 respectively. Our cost of sales of our Group during the Track Record Period mainly comprise (i) cost of goods sold, (ii) direct labour costs, and (iii) direct depreciation expenses, which are costs incurred directly in relation to our revenue. Factors affecting our cost of sales include (a) prices and availability of raw materials such as cast iron; and (b) salaries of our engineers and skilled labour.

The following table sets forth the major components of our cost of sales during the Track Record Period.

|                              | Year ended 31 December |                     |                       |                     |                       |                     | Nine months ended 30 September |                     |                       |                     |
|------------------------------|------------------------|---------------------|-----------------------|---------------------|-----------------------|---------------------|--------------------------------|---------------------|-----------------------|---------------------|
|                              | 2008                   |                     | 2009                  |                     | 2010                  |                     | 2010                           |                     | 2011                  |                     |
|                              | HK\$'000               | %                   | HK\$'000              | %                   | HK\$'000              | %                   | HK\$'000                       | %                   | HK\$'000              | %                   |
|                              | (unaudited)            |                     |                       |                     |                       |                     |                                |                     |                       |                     |
| Cost of goods sold           | 193,513                | 97.5                | 179,440               | 97.0                | 317,527               | 98.0                | 174,522                        | 97.8                | 414,638               | 98.5                |
| Direct labour costs          | 3,801                  | 1.9                 | 4,100                 | 2.2                 | 4,966                 | 1.5                 | 2,642                          | 1.5                 | 4,742                 | 1.1                 |
| Direct depreciation expenses | <u>1,096</u>           | <u>0.6</u>          | <u>1,477</u>          | <u>0.8</u>          | <u>1,713</u>          | <u>0.5</u>          | <u>1,226</u>                   | <u>0.7</u>          | <u>1,562</u>          | <u>0.4</u>          |
| <b>Total</b>                 | <b><u>198,410</u></b>  | <b><u>100.0</u></b> | <b><u>185,017</u></b> | <b><u>100.0</u></b> | <b><u>324,206</u></b> | <b><u>100.0</u></b> | <b><u>178,390</u></b>          | <b><u>100.0</u></b> | <b><u>420,942</u></b> | <b><u>100.0</u></b> |

For the three years ended 31 December 2010 and the nine months ended 30 September 2011, cost of goods sold accounted for approximately 97.5%, 97.0%, 98.0% and 98.5% of our Group's total cost of sales respectively. Our Group's cost of goods sold comprise mainly material costs, sub-contractor costs, inbound freight and handling costs, of which material costs accounted for approximately 97.1%, 97.2%, 97.5% and 99.1% of our costs of goods sold for the three years ended 31 December 2010 and the nine months ended 30 September 2011 respectively. Material costs comprise mainly CNC machining centres, industrial equipment, components and parts, cast iron, casting, sheet metals, electrical box, ball screw, spindle, controller and tool changers from suppliers located worldwide including the PRC, Japan, Europe, Taiwan, Korea, United States of America and Singapore.

Direct labour costs comprise salaries and related costs for engineers as well as production and assembly staff. During the Track Record Period, direct labour costs accounted for approximately 1.9%, 2.2%, 1.5% and 1.1% of our Group's total cost of sales respectively.

Direct depreciation expenses accounted for approximately 0.6%, 0.8%, 0.5% and 0.4% of our Group's total cost of sales respectively for the three years ended 31 December 2010 and the nine months ended 30 September 2011. Direct depreciation expenses comprise depreciation charges on production related equipment.

## FINANCIAL INFORMATION

### Gross profit and gross profit margin

The following tables show the breakdown of our Group's gross profit and gross profit margin by business segment during the Track Record Period:

#### Gross profit by business segment

|  | 2008          |              | Year ended 31 December |              |                |              | Nine months ended 30 September |              |                |              |
|--|---------------|--------------|------------------------|--------------|----------------|--------------|--------------------------------|--------------|----------------|--------------|
|  | HK\$'000      | %            | 2009                   |              | 2010           |              | 2010                           |              | 2011           |              |
|  |               |              | HK\$'000               | %            | HK\$'000       | %            | HK\$'000                       | %            | HK\$'000       | %            |
| Precision engineering solutions projects | 17,507        | 18.8         | 22,292                 | 21.3         | 41,184         | 28.4         | 10,091                         | 12.2         | 38,789         | 31.2         |
| Sales of cement production equipment     | 34,710        | 37.2         | 53,825                 | 51.4         | 72,436         | 49.9         | 54,542                         | 65.7         | 46,853         | 37.7         |
| Sales of CNC machining centres           | 5,584         | 6.0          | 242                    | 0.2          | 7,347          | 5.0          | 5,856                          | 7.1          | 10,869         | 8.7          |
| Sales of components and parts            | 15,201        | 16.3         | 3,387                  | 3.3          | 2,487          | 1.7          | 3,553                          | 4.3          | 11,254         | 9.1          |
| After-sales technical support services   | 20,231        | 21.7         | 24,948                 | 23.8         | 21,790         | 15.0         | 8,918                          | 10.7         | 16,580         | 13.3         |
| <b>Total</b>                             | <b>93,233</b> | <b>100.0</b> | <b>104,694</b>         | <b>100.0</b> | <b>145,244</b> | <b>100.0</b> | <b>82,960</b>                  | <b>100.0</b> | <b>124,345</b> | <b>100.0</b> |

Our gross profit was mainly contributed by our precision engineering solutions projects segment, sales of cement production equipment segment and the after-sales technical support services segment. With the increase of our revenue from the precision engineering solutions projects segment over the Track Record Period, the contribution to our gross profit increased from 18.8% for the year ended 31 December 2008 up to 31.2% for the nine months ended 30 September 2011.

Notwithstanding the overall increase in our revenue for the nine months ended 30 September 2011 when compared to that for the year ended 31 December 2010, there was a decrease in our total gross profit, primarily due to the lower gross profit margin in our precision engineering solutions projects and sales of components and parts segments.

Revenue from our precision engineering solutions increased by approximately HK\$46.9 million from approximately HK\$196.5 million for the year ended 31 December 2010 to approximately HK\$243.4 million for the nine months ended 30 September 2011. However, our gross profit generated from this segment decreased by approximately HK\$2.4 million, attributable mainly to the lower value-added requirements of the projects undertaken which commanded a lower gross profit margin.

Our revenue from sales of components and parts increased significantly by approximately HK\$112.8 million from approximately HK\$23.4 million for the year ended 31 December 2010 to approximately HK\$136.2 million for the nine months ended 30 September 2011 but our gross profit only increased by approximately HK\$8.8 million. This was mainly due to our sales of photovoltaic modules which commanded a lower gross profit margin as compared to our other business segments, as this is a trading sale which does not involve a significant amount of value-added services.

Accordingly, the higher revenue from precision engineering solutions and sales of components and parts with a lower gross profit margin contribution resulted in the decrease in the overall gross profit for our Group for the nine months ended 30 September 2011 when compared to that for the year ended 31 December 2010.

---

## FINANCIAL INFORMATION

---

### Gross profit margin by business segment

|  | Year ended 31 December |      |      | Nine months ended<br>30 September |      |
|--|------------------------|------|------|-----------------------------------|------|
|  | 2008                   | 2009 | 2010 | 2010                              | 2011 |
|  | %                      | %    | %    | %                                 | %    |
|  |                        |      |      | (unaudited)                       |      |
| Precision engineering solutions projects | 24.4                   | 25.6 | 20.9 | 13.3                              | 15.9 |
| Sales of cement production equipment     | 27.5                   | 36.5 | 40.6 | 43.3                              | 50.7 |
| Sales of CNC machining centres           | 19.6                   | 1.7  | 15.3 | 19.0                              | 20.0 |
| Sales of components and parts            | 34.4                   | 22.4 | 10.6 | 18.1                              | 8.3  |
| After-sales technical support services   | 96.8                   | 96.6 | 96.3 | 99.3                              | 88.5 |
| Overall gross profit margin              | 32.0                   | 36.1 | 30.9 | 31.7                              | 22.8 |

During the Track Record Period, the business of our Group comprises five segments and the higher overall gross profit margin was attributable to (i) our Group's after-sales technical support services segment; and (ii) the sales of cement production equipment segment.

The provision of after-sales technical support services involves dealing with correspondence with customers, addressing all technical and engineering enquiries and providing maintenance services and technical support. As the cost involved in the provision of these services is mainly the technical staff cost, our Group recorded a high gross profit margin in this segment.

Gross profit margin of sales of cement production equipment experienced a growing trend increasing from approximately 27.5% in the year ended 31 December 2008 to approximately 50.7% for the nine months ended 30 September 2011. The increase is mainly due to the change in product mix with more sales of our own manufactured “菲斯特” products which command a higher gross profit margin. By establishing a manufacturing plant locally in PRC, our Group is able to manufacture cement production equipment at a lower production cost and lower logistic costs such as freight and transportation costs as compared with those of other international manufacturers. As a result, our Group enjoys a high gross profit margin.



---

## FINANCIAL INFORMATION

---

### *Other income and gains*

The other income and gains of our Group accounted for approximately 1.2%, 1.4%, 0.4% and 0.2% of our total turnover during the three years ended 31 December 2010 and the nine months ended 30 September 2011 respectively. Set out below is the breakdown of our Group's other income and gains during the Track Record Period:

|                                       | Year ended 31 December |                     |                     |                     |                     |                     | Nine months ended 30 September |                     |                     |                     |
|---------------------------------------|------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|--------------------------------|---------------------|---------------------|---------------------|
|                                       | 2008                   |                     | 2009                |                     | 2010                |                     | 2010                           |                     | 2011                |                     |
|                                       | HK\$'000               | %                   | HK\$'000            | %                   | HK\$'000            | %                   | HK\$'000                       | %                   | HK\$'000            | %                   |
| Bank interest income                  | 815                    | 23.3                | 450                 | 10.8                | 443                 | 21.5                | 386                            | 19.2                | 403                 | 31.7                |
| Consultancy fee income                | 1,106                  | 31.6                | -                   | -                   | -                   | -                   | -                              | -                   | -                   | -                   |
| Rental income                         | 709                    | 20.2                | 601                 | 14.5                | 591                 | 28.6                | 488                            | 24.3                | 241                 | 18.9                |
| Government subsidy                    | 452                    | 12.9                | 783                 | 18.9                | 596                 | 28.9                | 543                            | 27.0                | 522                 | 41.0                |
| Forfeiture of deposit ( <i>Note</i> ) | -                      | -                   | 1,256               | 30.3                | -                   | -                   | -                              | -                   | -                   | -                   |
| Others                                | 420                    | 12.0                | 1,059               | 25.5                | 434                 | 21.0                | 593                            | 29.5                | 107                 | 8.4                 |
| <b>Total</b>                          | <b><u>3,502</u></b>    | <b><u>100.0</u></b> | <b><u>4,149</u></b> | <b><u>100.0</u></b> | <b><u>2,064</u></b> | <b><u>100.0</u></b> | <b><u>2,010</u></b>            | <b><u>100.0</u></b> | <b><u>1,273</u></b> | <b><u>100.0</u></b> |

*Note:* The forfeiture of deposit was attributed to a cancellation of order from a customer who decided to hold back its expansion plan.

Consultancy fees relate to consultation and management services for two projects completed in 2008 which are one-off provision of mechanical and electrical automation conceptualization planning and provision of design and project management. Rental income is derived from the sublet of premises. Forfeiture of customer deposits relates to non-recurring machinery repossessed from customer with deposit forfeited. Government subsidy relates to job credits granted by the Singapore government.

### *Selling and distribution expenses*

Selling and distribution expenses refer to the expenses incurred for the promotion and sale of products which comprise mainly salaries and related costs for sales and marketing staff, travelling and transportation costs, outbound freight and handling costs, commissions and marketing expenses and maintenance costs of equipment. Selling and distribution expenses was approximately 5.4%, 6.3%, 4.0% and 3.4% of our turnover during the Track Record Period respectively.

## FINANCIAL INFORMATION

Set out below is the breakdown of the selling and distribution expenses during the Track Record Period:

|  | Year ended 31 December |              |               |              |               |              | Nine months ended 30 September |              |               |              |
|--|------------------------|--------------|---------------|--------------|---------------|--------------|--------------------------------|--------------|---------------|--------------|
|  | 2008                   |              | 2009          |              | 2010          |              | 2010                           |              | 2011          |              |
|  | HK\$'000               | %            | HK\$'000      | %            | HK\$'000      | %            | HK\$'000                       | %            | HK\$'000      | %            |
|  | (unaudited)            |              |               |              |               |              |                                |              |               |              |
| Marketing staff expenses                               | 4,849                  | 31.0         | 5,075         | 27.6         | 5,976         | 31.8         | 4,674                          | 36.1         | 5,452         | 29.3         |
| After-sales technical support services and maintenance | 1,946                  | 12.4         | 2,300         | 12.5         | 1,629         | 8.6          | 1,478                          | 11.4         | 2,057         | 11.1         |
| Travelling expenses                                    | 3,978                  | 25.4         | 4,262         | 23.2         | 4,763         | 25.3         | 3,529                          | 21.0         | 4,793         | 25.8         |
| Freight outwards                                       | 1,645                  | 10.5         | 2,216         | 12.1         | 2,947         | 15.7         | 1,270                          | 9.8          | 2,904         | 15.6         |
| Entertainment and gifts                                | 1,786                  | 11.4         | 1,202         | 6.6          | 1,423         | 7.6          | 889                            | 6.9          | 1,497         | 8.1          |
| Others   | 1,448                  | 9.3          | 3,310         | 18.0         | 2,076         | 11.0         | 1,092                          | 14.8         | 1,883         | 10.1         |
| <b>Total</b>   | <b>15,652</b>          | <b>100.0</b> | <b>18,365</b> | <b>100.0</b> | <b>18,814</b> | <b>100.0</b> | <b>12,932</b>                  | <b>100.0</b> | <b>18,586</b> | <b>100.0</b> |

### *Administrative expenses*

Our administrative expenses accounted for approximately 8.1%, 8.3%, 5.8% and 5.1% of our turnover during the Track Record Period respectively. Administrative expenses comprise mainly salaries and related costs for finance and administration staff (including the consultancy fees paid to Mr. Tay), utilities, rental expenses, depreciation, audit fees and listing expenses comprising the professional costs incurred in the listing application in Singapore and to the Stock Exchange.

Set out below is the breakdown of the administrative expenses during the Track Record Period:

|                               | Year ended 31 December |              |               |              |               |              | Nine months ended 30 September |              |               |              |
|-------------------------------|------------------------|--------------|---------------|--------------|---------------|--------------|--------------------------------|--------------|---------------|--------------|
|                               | 2008                   |              | 2009          |              | 2010          |              | 2010                           |              | 2011          |              |
|                               | HK\$'000               | %            | HK\$'000      | %            | HK\$'000      | %            | HK\$'000                       | %            | HK\$'000      | %            |
|                               | (unaudited)            |              |               |              |               |              |                                |              |               |              |
| Salaries and related expenses | 10,890                 | 46.2         | 10,884        | 45.1         | 11,113        | 40.5         | 8,989                          | 49.6         | 9,273         | 33.1         |
| Office rental and utilities   | 2,423                  | 10.3         | 2,255         | 9.3          | 2,699         | 9.9          | 2,077                          | 11.5         | 2,185         | 7.8          |
| Depreciation                  | 1,575                  | 6.7          | 1,966         | 8.2          | 2,190         | 8.0          | 1,445                          | 8.0          | 1,612         | 5.8          |
| Audit fees                    | 1,423                  | 6.0          | 913           | 3.8          | 1,044         | 3.8          | 603                            | 3.3          | 629           | 2.3          |
| Legal and professional fees   | 3,208                  | 13.6         | 4,919         | 20.4         | 5,730         | 20.9         | 3,430                          | 18.9         | 3,755         | 13.4         |
| Others (Note)                 | 4,040                  | 17.2         | 3,185         | 13.2         | 4,625         | 16.9         | 1,584                          | 8.7          | 10,519        | 31.6         |
| <b>Total</b>                  | <b>23,559</b>          | <b>100.0</b> | <b>24,122</b> | <b>100.0</b> | <b>27,401</b> | <b>100.0</b> | <b>18,128</b>                  | <b>100.0</b> | <b>27,973</b> | <b>100.0</b> |

*Note:* "Others" for the nine months ended 30 September 2011 mainly includes the translation differences from fair value adjustments of the redeemable convertible loans of approximately HK\$3.3 million, consultancy fees relating to designing new products of approximately HK\$1.9 million and provision for doubtful debt of approximately HK\$1.1 million.

## FINANCIAL INFORMATION

### *Finance costs*

The following table sets out the breakdown of our Group's finance cost during the Track Record Period:

|  | Year ended 31 December |              |              |              |               |              | Nine months ended 30 September |              |               |              |
|--|------------------------|--------------|--------------|--------------|---------------|--------------|--------------------------------|--------------|---------------|--------------|
|  | 2008                   |              | 2009         |              | 2010          |              | 2010                           |              | 2011          |              |
|  | HK\$'000               | %            | HK\$'000     | %            | HK\$'000      | %            | HK\$'000                       | %            | HK\$'000      | %            |
| Interest on finance leases                                 | 542                    | 12.0         | 326          | 8.0          | 255           | 0.9          | 122                            | 0.7          | 128           | 0.7          |
| Bank overdraft interest<br>and charges                     | 2,075                  | 45.9         | 198          | 4.9          | 197           | 0.7          | 151                            | 0.8          | 578           | 3.1          |
| Bank and other finance charges                             | 1,486                  | 32.9         | 2,142        | 52.9         | 2,168         | 7.6          | 1,657                          | 9.3          | 2,829         | 15.3         |
| Interest on bank loans wholly<br>payable within five years | 418                    | 9.2          | 1,387        | 34.2         | 1,962         | 6.8          | 1,553                          | 8.7          | 330           | 1.8          |
| Amortized interest on convertible loan                     | -                      | -            | -            | -            | 18,425        | 64.3         | 12,274                         | 68.5         | 16,285        | 88.2         |
| Fair value change of embedded derivatives                  | -                      | -            | -            | -            | 19,185        | 66.9         | 15,672                         | 87.5         | (1,678)       | (9.1)        |
| Gain on derecognition of convertible loan                  | -                      | -            | -            | -            | (13,523)      | (47.2)       | (13,523)                       | (75.5)       | -             | -            |
| <b>Total</b>   | <b>4,521</b>           | <b>100.0</b> | <b>4,053</b> | <b>100.0</b> | <b>28,669</b> | <b>100.0</b> | <b>17,906</b>                  | <b>100.0</b> | <b>18,472</b> | <b>100.0</b> |

Our Group's finance costs comprise mainly of interest on bank loan, bank and other finance charges and interest on finance leases. In 2010, we introduced the Subscribers to subscribe for a redeemable convertible loan at an aggregate amount of S\$9 million as our investors. According to IAS 39, we recognized net amortized interests and certain fair value adjustments to these instruments of HK\$24.1 million as at 31 December 2010 and HK\$14.6 million as at 30 September 2011. The gain on derecognition of convertible loan of HK\$13.5 million in 2010 was a result of the extension of its long stop date from 31 December 2010 to 30 September 2011 and the modifications of other key terms including the interest rate of the redeemable convertible loan and the inclusion of additional penalty if the Company is unable to obtain listing status before the long stop date. The changes in terms have also resulted in the change in fair value of the embedded derivative in accordance with IAS 39. The effect from the change in fair value of embedded derivative negate the gain on derecognition in the period of the amortization and resulted in a net negative impact of HK\$5.7 million to our Group's profit for the year ended 31 December 2010. The accounting treatments relating to the derecognition and change in fair value of the embedded derivative are in accordance with the requirements of IFRS. As a result, our total finance costs increased from HK\$4.5 million in 2008 to HK\$28.7 million in 2010. Following the exercise of the conversion rights attached to the redeemable convertible loan by the Subscribers, we expect no further similar costs will be incurred after such conversion.

### *Other operating expenses*

Our Group's other operating expenses accounted for approximately 1.1%, 0.6%, 0.2% and 0.6% of our turnover during the Track Record Period respectively. Other operating expenses mainly comprised of the net loss on foreign exchange differences which included the realized exchange losses arising from transactions denominated in foreign currencies and unrealized exchange differences from translation of monetary balances in foreign currencies.

---

## FINANCIAL INFORMATION

---

### *Income tax expenses*

Our income tax expense amounted to approximately HK\$8.1 million, HK\$14.2 million, HK\$20.7 million and HK\$17.5 million for the three years ended 31 December 2010 and the nine months ended 30 September 2011 respectively, which accounted for approximately 2.8%, 4.9%, 4.4% and 3.2% of our turnover during the Track Record Period respectively. Our effective tax rate was 16.4%, 23.4%, 29.1% and 30.5% for the three years ended 31 December 2010 and the nine months ended 30 September 2011. The increasing trend was mainly due to the finance costs arising from the change on fair value of the redeemable convertible loan which were not deductible for tax purposes.

The income tax expense was calculated at the rates of tax prevailing in the countries or jurisdictions in which our Group operated. Our Group operates principally in Singapore and the PRC through its entities incorporated in these respective countries and are accordingly subject to corporate taxation in accordance with the tax laws of these countries. The Malaysian subsidiary is dormant and thus, there are no significant tax-related matters. Where our Group conducts its business in jurisdictions other than Singapore and the PRC and where there are withholding tax requirements, these are the responsibilities of the counterparty whom our Group trades with and our Group is not liable for any consequential tax and penalties.

#### Singapore

Our subsidiaries in Singapore are taxed in accordance with the prevailing tax regulations in Singapore. The statutory corporate tax rates and effective rates for our subsidiaries in Singapore during the Track Record Period were as follows:—

|                              | Year ended 31 December |      | Nine months ended |                   |
|------------------------------|------------------------|------|-------------------|-------------------|
|                              | 2008                   | 2009 | 2010              | 30 September 2011 |
|                              | %                      | %    | %                 | %                 |
| Statutory corporate tax rate | 18.0                   | 17.0 | 17.0              | 17.0              |

#### The PRC

In accordance with the “Income Tax Law of the PRC for Enterprises with Foreign Investment and Foreign Enterprises”, our companies CWI (Shanghai) and KIWA-CW (Shanghai) are entitled to full exemption from Enterprise Income Tax (“EIT”) for the first two years and a 50% reduction in EIT for the next three years, commencing from the first profitable year. The first profit making year for CWI (Shanghai) and KIWA-CW (Shanghai) occurred in 2007, 2008 respectively. As Tianjin FeiSiTe has already enjoyed the benefit of full tax exemption for the years 2005 and 2006, before being acquired by us, Tianjin FeiSiTe is only entitled for a 50% reduction in EIT until the year ended 31 December 2009. In 2010, Tianjin FeiSiTe was granted the high tech tax incentive which enjoys tax at a reduced rate of 15%.

---

## FINANCIAL INFORMATION

---

The following table sets forth the statutory corporate tax rates for PRC operating subsidiaries of our Group during the Track Record Period:–

| Subsidiaries                     | Year ended 31 December |      | Nine months ended |                   |
|----------------------------------|------------------------|------|-------------------|-------------------|
|                                  | 2008                   | 2009 | 2010              | 30 September 2011 |
|                                  | %                      | %    | %                 | %                 |
| SD Trading (Shanghai)            | 25.0                   | 25.0 | 25.0              | 25.0              |
| Tianjin FeiSiTe                  | 12.5                   | 12.5 | 15.0              | 15.0              |
| KIWA-CW (Shanghai) <i>(Note)</i> | Nil                    | Nil  | 12.5              | 12.5              |
| CWI (Shanghai) <i>(Note)</i>     | Nil                    | 12.5 | 12.5              | 12.5              |

*Note:* Tax exemption will commence when the relevant subsidiaries are profitable. The tax exemption or incentives may be withdrawn in the future without prior notice, pursuant to any amendments to the PRC laws or regulations in PRC. Please also refer to the section entitled “Risk Factors” of this prospectus.

### Period-to-period analysis of results of operations

*Nine months ended 30 September 2011 compared to nine months ended 30 September 2010*

#### a. Revenue

During the nine months ended 30 September 2011, our revenue increased significantly by approximately HK\$284.0 million or 108.6% as compared with our revenue recorded in the nine months ended 30 September 2010 from HK\$261.4 million to HK\$545.3 million. Such increase was contributed mainly by the increase in turnover from our precision engineering solutions segment and our components and parts segment in the period ended 30 September 2011.

Turnover from precision engineering solutions projects increased substantially by approximately HK\$167.4 million or 220.0% from approximately HK\$76.1 million in the nine months ended 30 September 2010 to approximately HK\$243.4 million in the nine months ended 30 September 2011. This is in line with our Group’s direction to focus more on precision engineering solutions projects. The increase was attributable mainly to major projects secured for the automotive and the education sector from new markets in India and Indonesia of approximately HK\$64.4 million and HK\$48.4 million respectively in the nine months ended 30 September 2011.

Our sales of CNC machining centres increased by approximately HK\$23.7 million or 77% from approximately HK\$30.7 million in the nine months ended 30 September 2010 to approximately HK\$54.4 million in the nine months ended 30 September 2011. The increase was mainly due to (i) the increase in the sales of our self-manufactured CNC machining centres in the PRC in 2011 as a result of the continued demand from customers in the precision engineering sector in the PRC; and (ii) the increased number of our customers demanding for CNC machining centres. The number of CNC machining centres sold from this segment increased from 79 units for the nine months ended 2010 to 119 units for the nine months ended 2011.

---

## FINANCIAL INFORMATION

---

Revenue from our sales of cement production equipment decreased by approximately HK\$33.5 million or 26.6% from approximately HK\$125.9 million in the period ended 30 September 2010 to approximately HK\$92.4 million in the period ended 30 September 2011. The decrease was mainly attributable to the stabilizing of demand from customers in the construction materials industry in the PRC following the heightened demands in 2009 and 2010 arising from the government's focus on quality following the Sichuan earthquake as well as increased infrastructure development. There was a reduction in sales of cement production machinery for the period ended 30 September 2011 compared to the same period in prior year as there was a significant decrease in the sales of products under "Pfister" brand which had a relatively lower gross profit margin.

Turnover from sales of components and parts increased significantly by approximately HK\$116.6 million or 593.4% from approximately HK\$19.6 million in the period ended 30 September 2010 to approximately HK\$136.2 million in the period ended 30 September 2011. Such increase was mainly attributable to the trading sales of photovoltaic components and parts which amounted to approximately HK\$116.1 million. During the nine months ended 30 September 2011, we secured an order of photovoltaic modules in June 2011 amounting to approximately HK\$66.7 million and two orders in September 2011 amounting to approximately HK\$49.4 million for the construction of photovoltaic plants by these customers. These sales were order-driven, non-recurring and trading in nature.

Our revenue from after-sales technical support services increased by approximately HK\$9.8 million or 108.8% from approximately HK\$9.0 million in the period ended 30 September 2010 to approximately HK\$18.7 million in the period ended 30 September 2011. This is in line with our increase in sales from the other segments as these are generally coupled with these services as well as the continued performance of such services for past sales.

b. Cost of sales

Our total cost of sales increased by approximately HK\$242.6 million or 136.0% from approximately HK\$178.4 million in the nine months ended 30 September 2010 to approximately HK\$420.9 million in the period ended 30 September 2011.

Cost of goods sold accounted for approximately 98.5% and 97.8% of our total cost of sales respectively during the nine months ended 30 September 2011 and 2010 respectively. Cost of materials is one of the major components of our cost of goods sold. During the nine months ended 30 September 2011 and 2010, cost of materials accounted for approximately 99.1% and 96.9% of our total cost of goods sold. In the nine months ended 30 September 2011, cost of materials increased by about HK\$241.6 million or 142.8% from about HK\$169.2 million in the nine months ended 30 September 2010 to about HK\$410.7 million in the nine months ended 30 September 2011. The increase of cost of materials was in line with the increase in turnover during the period.

Direct labour costs increased by approximately HK\$2.1 million or 79.5% from approximately HK\$2.6 million in the nine months ended 30 September 2010 to approximately HK\$4.7 million in the nine months ended 30 September 2011. Such increase was primarily due to the increase of the number of our production staff to meet the increasing business activities.

---

## FINANCIAL INFORMATION

---

Direct depreciation expenses increased by approximately HK\$0.3 million or 27.4% from approximately HK\$1.2 million in the nine months ended 30 September 2010 to approximately HK\$1.5 million in the nine months ended 30 September 2011 mainly as a result of additions of production equipment of approximately HK\$5.2 million in the 2010 to increase our production capacities.

c. Gross profit and gross profit margin

Our Group's gross profit in the nine months ended 30 September 2011 substantially improved by approximately HK\$41.3 million or 49.9% from approximately HK\$83.0 million in the nine months ended 30 September 2010 to approximately HK\$124.3 million. The increase in gross profit was mainly attributable to the significant increase in revenue brought by our precision engineering solutions projects, sales of components and parts, after-sales technical support services and sales of CNC machining centres. Such increases in the gross profits of these business segments more than compensate for the reduction in gross profits from the cement production equipment segment.

Our gross profit for precision engineering solutions projects increased by approximately HK\$28.7 million or 284.4% from approximately HK\$10.1 million for the period ended 30 September 2010 to approximately HK\$38.8 million for the period ended 30 September 2011. This increase was mainly in line with the increase in turnover from precision engineering solutions projects with the increased in sales in India and Indonesia. The gross profits from the sales of components and parts also increased by approximately HK\$7.7 million or 216.7%, from approximately HK\$3.6 million to approximately HK\$11.3 million.

Gross profit for after-sales technical support services increased in line with the revenue from this segment by approximately HK\$7.7 million or 85.9% from approximately HK\$8.9 million for the period ended 30 September 2010 to approximately HK\$16.6 million for the period ended 30 September 2011.

The gross profit for sales CNC machining centres also contributed an increase of approximately HK\$5.0 million or 85.6%, from approximately HK\$5.9 million for the period ended 30 September 2010 to approximately HK\$10.9 million for the period ended 30 September 2011, this is in line with (i) the increase in the sales of our self-manufactured CNC machining centres in 2011 as a result of the continued demand from customers in the precision engineering sector which contributed to an increase in our gross profit by approximately HK\$3.1 million; and (ii) the increased number of customers for the trading of CNC machining centres which resulted in an increase in our gross profit by approximately HK\$1.9 million. The number of CNC machining centres sold from this segment increased from 79 units in 2010 to 119 units in 2011.

The gross profits from the cement production equipment industry dropped by approximately HK\$7.7 million or 14.1% from approximately HK\$54.5 million for the period ended 30 September 2010 to approximately HK\$46.8 million for the period ended 30 September 2011 as a result of the stabilization in demand for cement production equipment after the high demands in prior years.

Notwithstanding the significant increase in our gross profits, our overall gross profit margin decreased by approximately 8.9% from approximately 31.7% for the nine months ended 30 September 2010 to approximately 22.8% for the nine months ended 30 September 2011.



---

## FINANCIAL INFORMATION

---

The decrease in our gross profit margin was largely due to the significant increase in our revenue from sales of components and parts segment specifically to the sale of photovoltaic components and parts which commands a lower gross profit margin as compared to our other business segments, as this is a trading sale which does not involve a significant amount of value-add. Sales of components and parts accounted for 25.0% of total revenue for the nine months ended 30 September 2011 as compared to 7.5% for the nine months ended 30 September 2010, which resulted a lower gross profit margin of only 8.3% in this segment. Accordingly, the higher proportion of sales components and parts with a lower gross profit margin contribution resulted in decreasing the overall gross profit margin for our Group for the nine months ended 30 September 2011.

The decrease in gross profit margin is the after-sales repairs and maintenance services, which has seen a 10.8% decline in profit margin from 99.3% in the period ended 30 September 2010 to 88.5% in the period ended 30 September 2011 is primarily due to the increased in after-sales services staff hired in view of the increased business.

The gross profit margin from sales of CNC machining centres remained relatively constant, with only a slight decline of 1.7% from 21.7% for the period ended 30 September 2010 to 20.0% in the period ended 30 September 2011.

The gross profit margin for the precision engineering solutions increased slightly by 3.2% from 12.7% to 15.9% for the period ended 30 September 2010 and 2011 respectively. The increase was mainly attributed to the repeat orders for projects in India and Indonesia given the improvement in efficiency following the new entrance of these markets in 2010.

The gross profit margin for cement production equipment also improved by 7.4% from 43.3% to 50.7% for the period ended 30 September 2010 and 2011 respectively. This is due to the change in product mix with increased sales of our own manufactured “菲斯特” products which yields higher profit margin in 2011 as compared to 2010. The proportion of sales of our self-manufactured “菲斯特” products and trading of products under “Pfister” brand was 84.2% and 15.8% respectively in 2010, as compared to 98.7% and 1.3% respectively in 2011.

d. Other income and gains

The other income and gains of our Group decreased by approximately HK\$0.7 million or 36.7% from approximately HK\$2.0 million for the nine months ended 30 September 2010 to approximately HK\$1.3 million for the nine months ended 30 September 2011. Such decrease was mainly due to a tax rebate of approximately HK\$0.3 million received and the reduction in rental income of approximately HK\$0.3 million for the period ended 30 September 2010.

e. Selling and distribution expenses

Our selling and distribution expenses increased by approximately HK\$5.7 million or 43.7% from approximately HK\$12.9 million for the nine months ended 30 September 2010 to approximately HK\$18.6 million for the nine months ended 30 September 2011. Such increase was mainly due to of (i) increases in marketing staff expenses, travelling expenses, freight outwards by approximately



---

## FINANCIAL INFORMATION

---

HK\$0.8 million, HK\$1.3 million, HK\$1.6 million as a result of the increased sales activities; (ii) an increase in after-sales services and maintenance expense by approximately HK\$0.6 million primarily as a result of increased after-sales follow-ups required; (iii) an increase in entertainment and gifts by approximately HK\$0.6 million arising from higher tender sales; (iv) an increase in commission expenses by HK\$0.8 million arising from more sales lead referrals; and (v) increased royalties paid for the sale of self-manufactured CNC machining centres by approximately HK\$0.1 million.

f. Administrative expenses

Our administrative expenses increased by approximately HK\$9.8 million or 54.3% from approximately HK\$18.1 million for the nine months ended 30 September 2010 to approximately HK\$27.9 million for the nine months ended 30 September 2011. Administrative expenses as a percentage of revenue decreased to approximately 5.1% for the nine months ended 30 September 2011 as compared to approximately 6.9% for the nine months ended 30 September 2010 principally due to the significant increase in revenue in 2011.

g. Finance costs

Our finance costs increased by approximately HK\$0.6 million or 3.2% from approximately HK\$17.9 million for the nine months ended 30 September 2010 to approximately HK\$18.5 million for the nine months ended 30 September 2011. The increases were mainly due to the increase in bank and other finance charges, bank overdraft interest and amortized interest on redeemable convertible loan (net of fair value charge of embedded derivative liabilities) of approximately HK\$1.2 million, HK\$0.4 million and HK\$0.4 million respectively during the period ended 30 September 2011. Such increases were partly offset by the decrease in interest expenses on bank loans wholly payable within five years of approximately HK\$1.2 million in the same period.

h. Income tax expenses

Our income tax expense increased by approximately HK\$4.1 million or 30.7% from approximately HK\$13.4 million for the nine months ended 30 September 2010 to approximately HK\$17.5 million for the nine months ended 30 September 2011. Such increase was mainly attributable to higher net profit before tax recorded for the period ended 30 September 2011. The effective tax rate for the nine months ended 30 September 2011 was 30.5% compared to an effective tax rate of 41.0% for the nine months ended 30 September 2010.

i. Net profit margin

As a combined result of the factors described above, our net profit for the nine months ended 30 September 2011 increased by approximately HK\$20.5 million or 106.4% from approximately HK\$19.3 million in the nine months ended 30 September 2010 to approximately HK\$39.8 million. Net profit margin decreased from approximately 7.4% for the nine months ended 30 September 2010 to approximately 7.3% for the nine months ended 30 September 2011.

---

## FINANCIAL INFORMATION

---

*Year ended 31 December 2010 compared to year ended 31 December 2009*

a. Revenue

During the year ended 31 December 2010, our revenue increased by approximately HK\$179.7 million or 62.0% as compared to the year ended 31 December 2009 from approximately HK\$289.7 million to approximately HK\$469.4 million. Such increase was contributed by the increase in turnover from each of our business segments and the recovery from the impact of the global financial crisis for the year ended 31 December 2010.

Turnover from precision engineering solutions projects increased by approximately HK\$109.4 million or 125.7% from approximately HK\$87.1 million for the year ended 31 December 2009 to approximately HK\$196.5 million for the year ended 31 December 2010. The increase was contributed primarily by a major project secured for the automotive sector in India which is a new market for our Group of approximately HK\$44.1 million. Demand from the electronics/semi-conductor and precision engineering solutions industries improved following the recovery of the economy from the global financial crisis. These contributed to increased revenue in particular from two customers in the precision engineering solutions industries in Taiwan, which is also a new market for our Group, and PRC amounting to approximately HK\$30.3 million.

Our sales of CNC machining centres increased by approximately HK\$34.0 million or 240.6% from approximately HK\$14.1 million for the year ended 31 December 2009 to approximately HK\$48.1 million for the year ended 31 December 2010. The increase was mainly attributable to the recovery of the economy from the global financial crisis that resulted in an increase in sales to customers in the electronics/semi-conductor and precision engineering solutions industries in the PRC as well as other countries in the Asia Pacific region. The number of CNC machining centre sold increased from 32 units to 124 units.

Turnover from sales of cement production equipment increased by approximately HK\$30.7 million or 20.8% from approximately HK\$147.6 million for the year ended 31 December 2009 to approximately HK\$178.3 million for the year ended 31 December 2010. This is attributable to continued increase in sales to customers in the construction materials industry in the PRC resulting from the government's focus on quality following the Sichuan earthquake as well as increased infrastructure development which resulted in Tianjin FeiSiTe recording the strongest growth in revenue in 2010 throughout the Track Record Period.

Our sales of components and parts increased by approximately HK\$8.3 million or 55.2% from approximately HK\$15.1 million for the year ended 31 December 2009 to approximately HK\$23.4 million for the year ended 31 December 2010. This is mainly attributable to an European customer secured in late 2009 which have recurring orders for the monthly sale of components and parts which contributed to an increase in revenue by approximately HK\$12.0 million.

Turnover from after-sales technical support services decreased by approximately HK\$2.7 million or 10.6% from approximately HK\$25.8 million for the year ended 31 December 2009 to approximately HK\$23.1 million for the year ended 31 December 2010. This is primarily due to the decrease in after-

---

## FINANCIAL INFORMATION

---

sales services amounted to approximately HK\$8.2 million which was bundled with sales of imported rotor weighfeeders as well as sales to more developed customers who did not require our installation and calibration services. The decrease is partially offset by increases in after-sales technical support services revenue of approximately HK\$5.0 million which is in line with the increase in precision engineering solutions projects for these entities that is generally bundled with such services.

b. Cost of sales

Our total cost of sales increased by approximately HK\$139.2 million or 75.2% from approximately HK\$185.0 million for the year ended 31 December 2009 to approximately HK\$324.2 million for the year ended 31 December 2010.

Cost of goods sold accounted for approximately 97.0% and 98.0% of our total cost of sales respectively during the two years ended 31 December 2010. Cost of materials is one of the major components of our cost of goods sold. During the two years ended 31 December 2010, cost of materials accounted for approximately 97.2% and 97.5% of our cost of goods sold. For the year ended 31 December 2010, cost of materials increased by approximately HK\$135.8 million or 78.1% from about HK\$173.9 million to approximately HK\$309.7 million. The increase of cost of materials was in line with the increase in turnover from all business segments.

Direct labour costs increased by approximately HK\$0.9 million or 21.1% from approximately HK\$4.1 million for the year ended 31 December 2009 to approximately HK\$5.0 million for the year ended 31 December 2010. This was due mainly to the increase in our number of production staff to meet the higher business activities.

Direct depreciation expenses increased by approximately HK\$0.2 million or 16.0% from approximately HK\$1.5 million in the year ended 31 December 2009 to approximately HK\$1.7 million in the year ended 31 December 2010 mainly as a result of additions of production equipment of approximately HK\$2.3 million in 2009 to increase the production capacities.

c. Gross profit and gross profit margin

Our Group's gross profit for the year ended 31 December 2010 substantially improved by approximately HK\$40.6 million or 38.7% from approximately HK\$104.7 million for the year ended 31 December 2009 to approximately HK\$145.2 million for the year ended 31 December 2010. The increase in gross profit was mainly attributable to the significant increase in revenue brought by our precision engineering solutions projects, sales of CNC machining centres and sales of cement production equipment business segments. In comparison, there was some slight decrease in gross profit from the sales of components and parts and from the after sales repairs and maintenance services.

For precision engineering solutions projects, gross profit increased by approximately HK\$18.9 million or 84.7% from approximately HK\$22.3 million for the year ended 31 December 2009 to approximately HK\$41.2 million for the year ended 31 December 2010. This increase was mainly resulting from the increase in focus by our Group on precision engineering solutions projects we secured projects in new territories such as India and Indonesia in 2010. The increase in gross profit is in line with the increase in sales in this business segment.

---

## FINANCIAL INFORMATION

---

Our gross profit for sales of CNC machining centres increased by approximately HK\$7.1 million or 293.6% from approximately HK\$0.2 million for the year ended 31 December 2009 to approximately HK\$7.3 million for the year ended 31 December 2010 primarily as a result of the surge in demand from the electronics/semi-conductor and precision engineering industries due to the recovery from the global financial crisis. This resulted in an increase in the demand in the PRC, where sales of our self-manufactured CNC machining centres, have increased significantly, which contributed to the overall increase in the gross profit of this segment. The number of CNC machining center sold increased from 32 units in 2009 to 124 units in 2010.

For sale of cement production equipment, gross profit increased by approximately HK\$18.6 million or 34.6% from approximately HK\$53.8 million for the year ended 31 December 2009 to approximately HK\$72.4 million for the year ended 31 December 2010. This increase was mainly attributable to cost down achieved from higher in-house fabrication of parts and components as well as the increase in its turnover as a result of the continued increase in demand from the construction materials sector in PRC.

The gross profit for the sales of components and parts decreased slightly by approximately HK\$0.9 million or 26.6%. The decrease was mainly because our Group was preparing for the collaboration with DMPG to provide parts and components for their production requirements, and as such had increased direct labour and other production expenses in anticipation of the project commencing in April 2011, thus lowering the gross profit of this segment.

Our gross profit from after-sales technical support services decreased by HK\$3.2 million or approximately 12.7% which is in line with the decrease in turnover in this segment.

Despite the significant increase in gross profits, our overall gross profit margin decreased by approximately 5.2% from approximately 36.1% for the year ended 31 December 2009 to approximately 30.9% for the year ended 31 December 2010. The decrease in gross profit margin was mainly attributable to the drop in the gross profit margin of precision engineering solutions projects from 25.6% in 2009 to 20.9% in 2010. The decrease was mainly because our Group secured certain large scale projects which were less complex and had less value-added, and also for market penetration into new territories such as India and Indonesia.

Our gross profit margin for sales of components and parts decreased from approximately 22.4% for the year ended 31 December 2009 to approximately 10.6% for the year ended 31 December 2010. Such decrease was mainly because we managed to secure a new customer in Europe for the provision of printed circuit board assembly on a long-term contract. This customer is engaged in the business of design and manufacture of motor and servo motion products. As this new customer is a straight trading business with little value add, such gross profit margin was relatively lower than our other business within the sale of components and parts segment. In addition, our gross profit attributable to this new customer accounted for a relatively high proportion of approximately 67.5% of the segment gross profit for the year ended 31 December 2010. Furthermore, we also recorded lower gross profit margin for one of our existing recurring customers. As a result, our gross profit margin for the year ended 31 December 2010 was substantially lower.

---

## FINANCIAL INFORMATION

---

Our gross profit margin for sales of CNC machining centres increased from approximately 1.7% for the year ended 31 December 2009 to approximately 15.3% in the year ended 31 December 2010, primarily due to the improved economic conditions attributed by recovery from the global financial crisis for the year ended 31 December 2010 and the management's decision to cease the competitive pricing strategy following the more mature development of our own brands.

Our gross profit margin for sales of cement production equipment increased from approximately 36.5% for the year ended 31 December 2009 to approximately 40.6% for the year ended 31 December 2010, attributable mainly due to cost down achieved from higher inhouse fabrication of parts and components.

Our gross profit margin for after-sales repairs and maintenance services remained relatively constant, being 96.6% in the year ended 31 December 2009 to 96.3% in the year ended 31 December 2010.

d. Other income and gains

The other income and gains of our Group decreased by approximately HK\$2.1 million or 50.3% from approximately HK\$4.1 million for the year ended 31 December 2009 to approximately HK\$2.1 million for the year ended 31 December 2010. Such decrease was mainly due to the one-off forfeiture of customer deposit incurred for the year ended 31 December 2009.

e. Selling and distribution expenses

Our selling and distribution expenses increased by approximately HK\$0.4 million or 2.4% from approximately HK\$18.4 million for the year ended 31 December 2009 to approximately HK\$18.8 million for the year ended 31 December 2010. Such increase was mainly due to (i) increases in marketing staff expenses, travelling expenses, freight outwards and advertising fees by approximately HK\$0.9 million, HK\$0.5 million, HK\$0.7 million and HK\$0.2 million respectively due mainly to increased sales activities; (ii) a decrease in after-sales services and maintenance expense by approximately HK\$0.7 million primarily as a result of reductions in after-sales follow-ups required; (iii) an increase in entertainment and gifts by approximately HK\$0.2 million arising from higher tender sales; (iv) a decrease in commission expenses by HK\$0.1 million arising from less sales lead referrals; (v) a reduction of consultant fees by approximately HK\$1.4 million as a result of precision engineering solutions projects in the year ended 31 December 2009 which required the engagement of specialists; and (vi) royalties paid for the sale of self-manufactured CNC machining centres.

f. Administrative expenses

Our administrative expenses increased by approximately HK\$3.3 million or 13.6% from approximately HK\$24.1 million for the year ended 31 December 2009 to approximately HK\$27.4 million for the year ended 31 December 2010. Administrative expenses as a percentage of revenue decreased to approximately 5.8% for the year ended 31 December 2010 as compared to approximately 8.3% for the year ended 31 December 2009. The decrease is due to the significant increase in revenue whilst our Group was able to maintain a relatively stable administration cost.

---

## FINANCIAL INFORMATION

---

g. Finance costs

Our finance costs increased by approximately HK\$24.6 million or 607.4% from approximately HK\$4.1 million for the year ended 31 December 2009 to approximately HK\$28.7 million for the year ended 31 December 2010. The increase was mainly due to the amortized interest on redeemable convertible loan and fair value change of embedded derivatives partly offset by the gain on derecognition of convertible loan. In addition, there was an increase in bank interest which resulted from the additional bank loans granted.

h. Income tax expenses

Our income tax expense substantially increased by approximately HK\$6.6 million or 46.3% from approximately HK\$14.2 million for the year ended 31 December 2009 to approximately HK\$20.7 million for the year ended 31 December 2010. Such increase was mainly attributable to higher tax rate applicable to Tianjin FeiSiTe for the year ended 31 December 2010 as a result of the high gross profit margin of our cement production equipment segment. The effective tax rate for the financial year ended 31 December 2010 was 29.1% compared to an effective tax rate of 23.4% for the financial year ended 31 December 2009.

i. Net profit margin

As a combined result of the factors described above, our net profit for the year ended 31 December 2010 increased by approximately HK\$4.2 million or 9.0% from approximately HK\$46.4 million for the year ended 31 December 2009 to approximately HK\$50.6 million. Net profit margin decreased from approximately 16.0% for the year ended 31 December 2009 to approximately 10.8% for the year ended 31 December 2010.

*Year ended 31 December 2009 compared to year ended 31 December 2008*

a. Revenue

During the year ended 31 December 2009, our turnover decreased by approximately HK\$1.9 million or 0.7% as compared to the year ended 31 December 2008 from approximately HK\$291.6 million to approximately HK\$289.7 million. Such decrease was primarily due to the decrease in turnover from sales of CNC machining centres and sales of components and parts partially offset by increases in revenue from precision engineering solutions projects, sales of cement production equipment and after-sales technical support services for the year ended 31 December 2009.

Turnover from precision engineering solutions projects increased by approximately HK\$15.3 million or 21.3% from approximately HK\$71.8 million for the year ended 31 December 2008 to approximately HK\$87.0 million for the year ended 31 December 2009. The increase was contributed primarily by our direction in focusing on precision engineering solutions projects which has higher profit margin as compared to the sales of CNC machining centres segment. In 2008, our Group secured a major precision engineering solutions project from a customer in Singapore in the automotive sector which continued into 2009. The increased contribution to revenue from this project was approximately



---

## FINANCIAL INFORMATION

---

HK\$18.5 million from approximately HK\$12.2 million in the year ended 31 December 2008 to approximately HK\$30.7 million in the year ended 31 December 2009. In addition, there was a project secured from a Swedish customer in the marine sector which was expanding its manufacturing facilities into Singapore. The project was secured in 2008 and continued in 2009 with an increased contribution to revenue of approximately HK\$3.7 million from approximately HK\$4.2 million in the year ended 31 December 2008 to approximately HK\$7.9 million in the year ended 31 December 2009.

Turnover from our sales of CNC machining centres decreased by approximately HK\$14.3 million or 50.4% from approximately HK\$28.5 million in the year ended 31 December 2008 to approximately HK\$14.1 million in the year ended 31 December 2009. The decrease was mainly because of the impact of the global financial crisis which has resulted in dampened demand in the precision engineering solutions industry. The number of CNC machining centre sold from this segment decreased from 61 units to 32 units.

Turnover from our sales of cement production equipment increased by approximately HK\$21.3 million or 16.9% from approximately HK\$126.3 million for the year ended 31 December 2008 to approximately HK\$147.6 million for the year ended 31 December 2009. The increase in sales of cement production equipment was primarily contributed by heightened demand for infrastructure in the PRC which was favourable for the construction materials industry.

Turnover from sales of components and parts decreased by approximately HK\$29.1 million or 65.8% from approximately HK\$44.2 million for the year ended 31 December 2008 to approximately HK\$15.1 million for the year ended 31 December 2009. This was mainly attributable to our direction in reducing focus on one of our major customer in the supply chain business sector given the relatively lower profit margin in result. The contribution from this customer decreased by approximately HK\$13.8 million from approximately HK\$18.8 million for the year ended 31 December 2008 to approximately HK\$5.0 million for the year ended 31 December 2009.

Turnover from after-sales technical support services increased by approximately HK\$4.9 million or 23.5% from approximately HK\$20.9 million for the year ended 31 December 2008 to approximately HK\$25.8 million for the year ended 31 December 2009. This was primarily because we had secured a project for the after-sales repairs of a batch of machines in 2009.

### b. Cost of sales

Our total cost of sales decreased by approximately HK\$13.4 million or 6.8% from approximately HK\$198.4 million for the year ended 31 December 2008 to approximately HK\$185.0 million for the year ended 31 December 2009.

Cost of goods sold accounted for approximately 97.5% and 97.0% of our total cost of sales respectively during the two years ended 31 December 2009. Cost of materials is one of the major components of our cost of goods sold. During the two years ended 31 December 2009, cost of materials accounted for approximately 97.1% and 97.2% of our total cost of goods sold. For the year ended 31 December 2009, cost of materials decreased by approximately HK\$14.0 million or 7.4% from approximately HK\$187.9 million to approximately HK\$173.9 million. The decrease in cost of

---

## FINANCIAL INFORMATION

---

materials was in line with the combined effect of the increase in turnover from precision engineering solutions projects and sales of cement production equipment, which was partly offset by a decrease in cost of materials for sales of CNC machining centres and sales of components and part due mainly to the corresponding lower turnover recorded for these business segment.

Direct labour costs increased by HK\$0.3 million or 7.9% from approximately HK\$3.8 million for the year ended 31 December 2008 to approximately HK\$4.1 million for the year ended 31 December 2009. This was due mainly to the increase in production staff costs for Tianjin FeiSiTe to meet the higher business activities.

Direct depreciation expenses increased by approximately HK\$0.4 million or 34.8% from approximately HK\$1.1 million for the year ended 31 December 2008 to approximately HK\$1.5 million for the year ended 31 December 2009 as a result of additions of plant and equipment of approximately HK\$0.8 million in 2008 to increase the production capacities.

c. Gross profit and gross profit margin

Our Group's gross profit for the year ended 31 December 2009 substantially improved by approximately HK\$11.5 million or 12.3% from approximately HK\$93.2 million for the year ended 31 December 2008 to approximately HK\$104.7 million for the year ended 31 December 2009. The increase in gross profit was mainly attributable to the increase in revenue brought by our precision engineering solutions projects, sales of cement production equipment as well as after-sales technical support services business segments.

Gross profit for precision engineering solutions projects increased by approximately HK\$4.8 million or 27.3% from approximately HK\$17.5 million for the year ended 31 December 2008 to approximately HK\$22.3 million for the year ended 31 December 2009. The increase was primarily contributed by our Group's direction in focusing on precision engineering solutions projects which has higher profit margin as compared to our CNC machining centre business segment. In addition, there was increase in projects secured in the marine sectors and the automotive sectors which was contributed by the gradual recovery of the economy from the global financial crisis.

For sales of cement production equipment, gross profit increased by approximately HK\$19.1 million or 55.1% from approximately HK\$34.7 million for the year ended 31 December 2008 to approximately HK\$53.8 million for the year ended 31 December 2009. This increase was primarily due to the increase in the sales to the customers in the construction material industry, as a result of strong demand for cement production equipment in PRC in the wake of rebuilding after the Sichuan earthquake in 2008.

Our gross profit from after-sales technical support services increased by approximately HK\$4.7 million or 23.3% from approximately HK\$20.2 million for the year ended 31 December 2008 to approximately HK\$24.9 million for the year ended 31 December 2009. This is primarily contributed by the securing of a project for a customer in the precision engineering industry for the overhaul of a batch of machines.



---

## FINANCIAL INFORMATION

---

The gross profit for the sales of components and parts decreased substantially by approximately HK\$11.8 million or 77.7% from approximately HK\$15.2 million to approximately HK\$3.4 million for the years ended 31 December 2008 and 2009 respectively. This was a result in shifting focus away from one principal customer so as to avoid over-reliance on one single customer, thus resulting in the reduced profits.

The gross profit from the sales of CNC machining centres also reduced by approximately HK\$ 5.3 million or 95.7% from approximately HK\$5.6 million in the year ended 31 December 2008 to approximately HK\$0.2 million in the year ended 31 December 2009. The decrease in gross profit was due mainly to management's decision to undertake competitive pricing strategy in view of the weak demand of our CNC machining centres due to the financial crisis in 2009.

Our overall gross profit margin increased by approximately 4.1% from approximately 32.0% for the year ended 31 December 2008 to approximately 36.1% for the year ended 31 December 2009. The increase of gross profit margin was primarily due to the increase in the percentage of revenue derived from precision engineering solutions projects and sales of cement production equipment from approximately 24.6% and 43.3% respectively for the year ended 31 December 2008 to 30.0% and 51.0% respectively for the year ended 31 December 2009, on which our gross margin was higher than other business segments.

Gross profit margin for precision engineering solutions projects increased from approximately 24.4% for the year ended 31 December 2008 to approximately 25.6% for the year ended 31 December 2009, primarily due to the increase in sales to the automotive and marine sectors which enjoyed higher margins as these were precision engineering solutions projects that entailed higher added value.

The gross profit margin for sales of cement production equipment improved from approximately 27.5% in 2008 to approximately 36.5% in 2009 mainly due to the increased demand which contributed to a favourable command of gross profit margin coupled with continual cost down achieved from higher in-house fabrication of parts and components and also due to the change in product mix with more sales of our own manufactured “菲斯特” products in 2009.

The gross profit margin for after-sales repairs and maintenance services remained relatively constant, being 96.8% in 2008 and 96.6% in 2009.

The gross profit margin for the sales of CNC machining centres dropped by 17.9%, from 19.6% in 2008 to 1.7% in 2009. Such decreases were mainly due to our management's decision to undertake competitive pricing strategy in view of the dampened demand from the precision engineering industry as a result of the financial crisis in 2009 so as to maintain our market share and the market presence of our self-manufactured products.

The gross profit margin for the sales of components and parts also decreased by approximately 12.0% from 34.4% in 2008 to 22.4% in 2009. The reduction in gross profit margin is mainly attributable to the fact that in 2008, there was an one-off order secured for parts and components which contributed a high gross profit margin of approximately 80.0% due to the urgency of the order and the short time frame given. This order helped boost the gross profit margin in 2008 to 34.4%. As this was not a recurring sales, it resulted in the decrease in the gross profit margin of this segment in 2009.

---

## FINANCIAL INFORMATION

---

d. Other income and gains

The other income and gains of our Group increased by approximately HK\$0.6 million or 18.5% from approximately HK\$3.5 million for the year ended 31 December 2008 to approximately HK\$4.1 million for the year ended 31 December 2009. Such increase was mainly due to forfeiture of customer deposits and job credits granted by the government of Singapore.

e. Selling and distribution expenses

Our selling and distribution expenses increased by approximately HK\$2.7 million or 17.3% from approximately HK\$15.7 million for the year ended 31 December 2008 to approximately HK\$18.4 million for the year ended 31 December 2009. Such increase was mainly due to (i) an increase in after-sales services and maintenance expense by approximately HK\$0.3 million as a result of the after-sales costs incurred in the year ended 31 December 2008 for the prototype clinker cooler launched by Tianjin FeiSiTe in 2007; (ii) an increase of freight outward charges by approximately HK\$0.6 million in the year ended 31 December 2009; and (iii) an increase of consultant fees by approximately HK\$1.2 million for engaging consultants for certain precision engineering solutions projects secured in 2009.

f. Administrative expenses

Our administrative expenses increased by approximately HK\$0.6 million or 2.4% from approximately HK\$23.5 million for the year ended 31 December 2008 to approximately HK\$24.1 million for the year ended 31 December 2009. Administrative expenses as a percentage of revenue increased to approximately 8.3% for the year ended 31 December 2009 as compared to approximately 8.1% for the year ended 31 December 2008. Our Group is able to maintain a relatively stable administration cost in 2008 and 2009.

g. Finance costs

Our finance costs reduced by approximately HK\$0.5 million or 10.4% from approximately HK\$4.5 million for the year ended 31 December 2008 to approximately HK\$4.0 million for the year ended 31 December 2009 largely due to the lower interest rates.

h. Income tax expenses

Our income tax expense increased by approximately HK\$6.1 million or 74.2% from approximately HK\$8.1 million for the year ended 31 December 2008 to approximately HK\$14.2 million for the year ended 31 December 2009. This was mainly attributable to the higher net profit before tax recorded by Tianjin FeiSiTe together with a higher gross profit of our cement production equipment segment for the year ended 31 December 2009. The effective tax rate for the year ended 31 December 2009 was 23.4% compared to an effective tax rate of 16.3% for the year ended 31 December 2008. Such increase was due mainly to a non-recurring write-back of overprovision for taxation for SD Trading (Shanghai) for the financial year ended 31 December 2008 after obtaining the clarification from the PRC tax authority on its tax position in 2008.

---

## FINANCIAL INFORMATION

---

i. Net profit margin

As a combined result of the factors described above, our net profit increased by approximately HK\$4.8 million or 11.7% from approximately HK\$41.6 million for the year ended 31 December 2008 to approximately HK\$46.5 million for the year ended 31 December 2009. Net profit margin increased from approximately 14.3% for the year ended 31 December 2008 to approximately 16.0% for the year ended 31 December 2009.

### Discussion of certain statements of financial position items

#### *Key financial ratios*

|                            |                |              | As at 31 December |      | As at<br>30 September |      |
|----------------------------|----------------|--------------|-------------------|------|-----------------------|------|
|                            |                | <i>Notes</i> | 2008              | 2009 | 2010                  | 2011 |
| Inventory turnover         | <i>(days)</i>  | <i>(a)</i>   | 39                | 35   | 21                    | 17   |
| Trade receivables turnover | <i>(days)</i>  | <i>(b)</i>   | 151               | 178  | 147                   | 177  |
| Trade payables turnover    | <i>(days)</i>  | <i>(c)</i>   | 168               | 185  | 144                   | 157  |
| Current ratio              | <i>(times)</i> | <i>(d)</i>   | 1.5               | 1.7  | 1.2                   | 1.3  |
| Gearing ratio              | <i>(%)</i>     | <i>(e)</i>   | 8.7               | 6.8  | 18.3                  | 14.3 |

*Notes:*

- (a) Inventory turnover days is calculated based on the average inventory (sum of opening and closing balances of inventory of respective years and then divided by two) divided by cost of goods sold of the respective years/period and multiplied by the number of days in the corresponding year/period.
- (b) Trade receivables turnover is calculated based on the average trade receivables (sum of opening and closing balances of trade receivables of respective years and then divided by two) divided by revenue of the respective years/period and multiplied by the number of days in the corresponding year/period.
- (c) Trade payables turnover is calculated based on the average closing balances of trade payables (sum of opening and closing balances of trade payables of respective years and then divided by two) divided by cost of goods sold of the respective years/period and multiplied by the number of days in the corresponding year/period.
- (d) Current ratio is calculated based on current assets divided by current liabilities.
- (e) Gearing ratio is calculated based on total debt divided by total assets.

The decrease in current ratio during the year ended 31 December 2010 and the increase in gearing ratio as at 31 December 2010 were mainly due to the issue of the redeemable convertible loan in 2010.

---

## FINANCIAL INFORMATION

---

### *Inventories*

The following table sets forth a breakdown of our inventories of the Group as of the dates indicated:

|                  | 2008            |              | As at 31 December |              |                 |              | As at 30 September |              |
|------------------|-----------------|--------------|-------------------|--------------|-----------------|--------------|--------------------|--------------|
|                  |                 |              | 2009              |              | 2010            |              | 2011               |              |
|                  | <i>HK\$'000</i> | %            | <i>HK\$'000</i>   | %            | <i>HK\$'000</i> | %            | <i>HK\$'000</i>    | %            |
| Raw materials    | 7,103           | 37.5         | 5,944             | 38.3         | 10,900          | 52.0         | 18,797             | 60.6         |
| Work-in-progress | 4,058           | 21.5         | 5,298             | 34.1         | 4,706           | 22.5         | 9,091              | 29.3         |
| Finished goods   | 7,736           | 41.0         | 4,282             | 27.6         | 5,340           | 25.5         | 3,113              | 10.1         |
| <b>Total</b>     | <b>18,897</b>   | <b>100.0</b> | <b>15,524</b>     | <b>100.0</b> | <b>20,946</b>   | <b>100.0</b> | <b>31,001</b>      | <b>100.0</b> |

Due to the business model of our Group, we were able to carry minimum inventory for certain business segments. For precision engineering solutions project segment, the main costs incurred in this segment include machines and related components required for the projects and were delivered directly to the customers' premises from the machinery manufacturers when accepted by the customers. For parts and components, these are ordered from suppliers as and when our customers require them and these are either delivered directly to the customers or immediately by our Group to the customers if these parts and components are received by our Group. The inventories balances include the components and parts received from supply chain service providers under our title pending delivery to our customers. Such title will be transferred to our customers upon delivery and acceptance.

For self-manufactured CNC machining centers and cement production equipment, we commence production only after receiving customer orders. We maintain inventories to ensure that production will not be interrupted by shortages of inventory. Such equipment is generally delivered when completed and accepted by our customers shortly after production is completed.

Our business model enables us to maintain a relatively low level of inventory requirement across our different business segments even with expansion in our scale of operation.

Total inventories decreased from approximately HK\$18.9 million as at 31 December 2008 to approximately HK\$15.5 million as at 31 December 2009 primarily due to the growing sales as well as a conscientious effort by management to reduce inventory holding levels. Our total inventories increased from approximately HK\$15.5 million as at 31 December 2009 to approximately HK\$20.9 million as at 31 December 2010 and further to approximately HK\$31.0 million as at 30 September 2011 mainly as a result of increased orders on hand for delivery.

Our inventory turnover days decreased from approximately 39 days as at 31 December 2008 to approximately 35 days as at 31 December 2009 to approximately 21 days as at 31 December 2010 and further to approximately 17 days as at 30 September 2011. Such decrease was primarily due to the increase in sales activities as a result of the turnaround from the global financial crisis as well as the conscientious effort by the management to reduce inventory holding levels.

## FINANCIAL INFORMATION

As at 31 January 2012, HK\$22.2 million of the inventories as at 30 September 2011 have been utilized.

### *Trade receivables*

Set out below is a breakdown of our trade receivables balances by business segments as of the dates indicated:

|  | As at 31 December |                 |                 | As at          |
|--|-------------------|-----------------|-----------------|----------------|
|  | 2008              | 2009            | 2010            | 30 September   |
|  | <i>HK\$'000</i>   | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>2011</i>    |
| Precision engineering solutions projects | 53,537            | 85,756          | 155,789         | 308,691        |
| Sale of cement production equipment      | 36,215            | 17,529          | 40,188          | 27,030         |
| Sale of CNC machining centres            | 16,125            | 13,902          | 24,179          | 9,333          |
| Sale of components and parts             | 25,952            | 18,706          | 4,411           | 121,227        |
| After-sales technical support services   | 6,612             | 8,496           | 7,916           | 8,650          |
| Total                                    | <u>138,441</u>    | <u>144,389</u>  | <u>232,483</u>  | <u>474,931</u> |

As at 31 December 2008, 2009 and 2010 and 30 September 2011, the trade receivables balances were mainly attributable from the precision engineering solutions projects segment due to the relatively longer credit period granted in this segment.

The following table sets forth an ageing schedule of our trade receivables (net of allowance for doubtful debts and excluding accrued revenue) as of the dates indicated:

|                | 2008            |              | As at 31 December |              |                 |              | As at 30 September |              |
|----------------|-----------------|--------------|-------------------|--------------|-----------------|--------------|--------------------|--------------|
|                | 2008            |              | 2009              |              | 2010            |              | 2011               |              |
|                | <i>HK\$'000</i> | %            | <i>HK\$'000</i>   | %            | <i>HK\$'000</i> | %            | <i>HK\$'000</i>    | %            |
| 0 – 90 days    | 58,442          | 53.5         | 43,396            | 46.5         | 156,558         | 76.2         | 109,271            | 31.0         |
| 91 – 180 days  | 11,657          | 10.7         | 2,587             | 2.8          | 11,490          | 5.6          | 154,103            | 43.8         |
| 181 – 360 days | 3,398           | 3.1          | 10,949            | 11.7         | 35,873          | 17.5         | 86,077             | 24.5         |
| Over 360 days  | 35,778          | 32.7         | 36,467            | 39.0         | 1,491           | 0.7          | 2,630              | 0.7          |
|                | <u>109,275</u>  | <u>100.0</u> | <u>93,399</u>     | <u>100.0</u> | <u>205,412</u>  | <u>100.0</u> | <u>352,081</u>     | <u>100.0</u> |

---

## FINANCIAL INFORMATION

---

Set out below are our trade receivables (net of allowance for doubtful debts) as at 30 September 2011 by business segment:

|                 | <b>Precision<br/>engineering<br/>solution<br/>projects</b> | <b>Sale of<br/>cement<br/>production<br/>equipment</b> | <b>Sale of CNC<br/>machining<br/>centres</b> | <b>Sale of<br/>components<br/>and parts</b> | <b>Provision of<br/>after-sales<br/>maintenance<br/>and technical<br/>support</b> | <b>Total</b>          |
|-----------------|--|--|--|---|---|-----------------------|
|                 | <i>HK\$'000</i>  | <i>HK\$'000</i>  | <i>HK\$'000</i>                              | <i>HK\$'000</i>                             | <i>HK\$'000</i>   | <i>HK\$'000</i>       |
| 0-90 days       | 89,514   | 9,034  | 3,076  | 6,953                                       | 694   | 109,271               |
| 91-180 days     | 70,366   | 14,473   | 1,321  | 62,553                                      | 5,390   | 154,103               |
| 181-360 days    | 76,728   | 2,871  | 3,486  | 476   | 2,516   | 86,077                |
| Over 360 days   | 1,748  | 652  | 180  | –   | 50  | 2,630                 |
|                 | <u>238,356</u>   | <u>27,030</u>  | <u>8,063</u>                                 | <u>69,982</u>                               | <u>8,650</u>  | <u>352,081</u>        |
| Accrued revenue | <u>70,335</u>  | <u>–</u>   | <u>1,270</u>                                 | <u>51,245</u>                               | <u>–</u>  | <u>122,850</u>        |
| <b>Total</b>    | <b><u>308,691</u></b>                                      | <b><u>27,030</u></b>                                   | <b><u>9,333</u></b>                          | <b><u>121,227</u></b>                       | <b><u>8,650</u></b>   | <b><u>474,931</u></b> |

As at 30 September 2011, significant increases in trade receivables balance were aged between 91-180 days and 181-360 days. The increases were mainly attributable to the precision engineering and the sales of components and parts segments.

For precision engineering solutions projects, trade receivables aged between 91 and 180 days increased from approximately HK\$0.1 million as at 31 December 2010 to HK\$70.4 million as at 30 September 2011, and trade receivables aged between 181 and 360 days increased from approximately HK\$27.2 million as at 31 December 2010 to HK\$76.7 million as at 30 September 2011. As normal credit period of up to 270 days was granted, most of such trade receivables were primarily due to revenue from our precision engineering solutions projects recorded in late 2010 and the first half of 2011 which were not due or just turned due as at 30 September 2011.

For sale of components and parts, trade receivables aged between 91 and 180 days increased from approximately HK\$0.2 million as at 31 December 2010 to HK\$62.6 million as at 30 September 2011. The increase in trade receivables aged between 91 and 180 days was largely due to our sales of photovoltaic modules to a customer in June 2011 and two orders from two customers in September 2011 for their construction of photovoltaic plants. We have received total advanced deposits of EUR3.03 million from these customers. According to the relevant contracts, the outstanding balances will be settled within 3 days up to 3 weeks after the projects have reached certain milestones. Such milestones are the completion of the construction of the photovoltaic plants which will lead to the financial closing whereupon the financial institutions shall approve a loans to our customers to discharge their financial obligations to any third parties involved in the projects, amongst which our Group is included. As at the Latest Practicable Date, such project milestones were yet to be reached. However, our Directors understood that the relevant projects were supported by financing institutions, in particular that the project regarding our sales in June 2011 has reached the final stage and the relevant loan contract will be entered into between the relevant financial institution and our customer by 29 March 2012.

---

## FINANCIAL INFORMATION

---

The aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

|   | <b>31 December</b> |                 | <b>30 September</b> |                 |
|---|--------------------|-----------------|---------------------|-----------------|
|   | <b>2008</b>        | <b>2009</b>     | <b>2010</b>         | <b>2011</b>     |
|   | <i>HK\$'000</i>    | <i>HK\$'000</i> | <i>HK\$'000</i>     | <i>HK\$'000</i> |
| Past due but not impaired   |                    |                 |                     |                 |
| – Less than 3 months past due   | 28,789             | 22,407          | 29,934              | 92,343          |
| – 3 months to 6 months past due   | 3,225              | 5,542           | 2,867               | 52,489          |
| – 6 months to 12 months past due  | 11,464             | 22,648          | 7,498               | 3,977           |
| – More than 12 months past due  | 7,374              | 17,684          | 1,182               | 745             |
|   | <hr/>              | <hr/>           | <hr/>               | <hr/>           |
|   | 50,852             | 68,281          | 41,481              | 149,554         |
| Neither past due nor impaired   | <hr/> 58,423       | <hr/> 25,118    | <hr/> 163,931       | <hr/> 202,527   |
|   |                    |                 |                     |                 |
| Total trade receivables (net of allowance for doubtful debts and excluding accrued revenue) | <u>109,275</u>     | <u>93,399</u>   | <u>205,412</u>      | <u>352,081</u>  |

Our trade receivables include retention monies receivable. As at 31 December 2008, 2009 and 2010 and 30 September 2011, our retention monies receivable amounted to approximately HK\$8.4 million, HK\$8.8 million, HK\$2.2 million and HK\$2.1 million respectively. The retention monies receivable was mainly related to our precision engineering solutions and sale of cement production equipment segments where customers would sometimes retain 5% to 10% of the total contract sum on a case-by-case basis generally for a period of up to one year after our completion of the relevant project. We expect that the balance of the retention monies receivable for the nine months ended 30 September 2011 will be settled by September 2012.

Our trade receivables decreased from approximately HK\$109.3 million as at 31 December 2008 to approximately HK\$93.4 million as at 31 December 2009 and increased to approximately HK\$205.4 million as at 31 December 2010 and further to approximately HK\$352.1 million as at 30 September 2011 mainly in line with the movements in revenue during the Track Record Period which witnessed a generally increasing trend. The increase in trade receivables as at 30 September 2011 was mainly due to our revenue from the precision engineering solutions segment generated in late 2010 and the nine months ended 30 September 2011. As normal credit period of up to 270 days was granted, most of these unsettled receivables were not due or just became due as at 30 September 2011. In addition, our sales of photovoltaic modules to our new customers also contributed to the increase in our trade receivables balance. As the projects have yet to be completed, such trade receivables were not past due as at 30 September 2011. Up to 29 February 2012, an aggregate of approximately HK\$125.8 million, being approximately 35.7% of the trade receivables as at 30 September 2011, had been settled.

## FINANCIAL INFORMATION

Of our trade receivables outstanding as at 31 December 2008, 2009, 2010 and 30 September 2011, approximately HK\$50.8 million, HK\$68.3 million, HK\$41.5 million and HK\$149.6 million, respectively, were past due but not impaired. Up to 29 February 2012, approximately HK\$107.3 million, being approximately 71.7% of the trade receivables as at 30 September 2011 which were past due but not impaired, had been settled.

Set out below is a breakdown of our subsequent settlement status up to 29 February 2012 of our trade receivables as at 30 September 2011:

|                                  | Precision<br>engineering<br>solution<br>projects<br><i>HK\$'000</i> | Sale of<br>cement<br>production<br>equipment<br><i>HK\$'000</i> | Sale of<br>CNC<br>machining<br>centres<br><i>HK\$'000</i> | Sale of<br>components<br>and parts<br><i>HK\$'000</i> | After-sales<br>technical<br>support<br>services<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|----------------------------------|---|---|---|---|--|--------------------------|
| Past due but not impaired        |   |   |   |   |  |                          |
| – Less than 3 months past due    | 55,967  | 4,995   | 2,193   | 1,959   | 4,662  | 69,776                   |
| – 3 months to 6 months past due  | 18,748  | 12,148  | 4,506   | 5   | 933  | 36,340                   |
| – 6 months to 12 months past due | –   | 581   | 235   | –   | 45   | 861                      |
| – More than 12 months past due   | –   | 216   | 43  | –   | 17   | 276                      |
|                                  | <u>74,715</u>   | <u>17,940</u>   | <u>6,977</u>  | <u>1,964</u>  | <u>5,657</u>   | <u>107,253</u>           |
| Neither past due nor impaired    | <u>11,218</u>   | <u>–</u>  | <u>1,494</u>  | <u>5,798</u>  | <u>–</u>   | <u>18,510</u>            |
| Total                            | <u><u>85,933</u></u>  | <u><u>17,940</u></u>  | <u><u>8,471</u></u>                                       | <u><u>7,762</u></u>                                   | <u><u>5,657</u></u>  | <u><u>125,763</u></u>    |

Long receivable turnover days of our Group during the Track Record Period was primarily resulted from the long credit periods granted to our customers according to business segments. The general range of credit periods granted is from 60 to 270 days for precision engineering solutions, and there are certain instances where our Group may grant credit terms of up to 360 days, including (i) the new model of products which required longer period to ensure the products can run smoothly; (ii) the services and products our Group provided are only part of the customers' production line and the relevant customer would not settle the amounts payable to our suppliers, including that payable to our Group, until the customer's entire production line has been completed; and (iii) competitors offer similar terms to our Group's customers; from 60 to 180 days for sale of CNC machining centres; from 0 to 120 days for sale of cement production equipment; from 30 to 180 days for the sale of component and parts and from 30 to 360 days for after sales technical support services. For the three years ended 31 December 2008, 2009 and 2010 and the nine months ended 30 September 2011 respectively, the account receivable turnover days were 151, 178, 147 and 177 days respectively. Precision engineering solutions segment is the largest business of our Group, which accounts for over 40% of our turnover. Such practice is mainly because sufficient time is allowed to its customers on testing the production lines to ensure their smooth operations.



---

## FINANCIAL INFORMATION

---

During the nine months ended 30 September 2011, we secured a number of sales orders for photovoltaic modules. In assessing the creditability of these customers, our Group had performed the following measures before entering into the relevant sales contracts:

1. Confirming with the customers that the construction of the photovoltaic plants by these customers had been financed by financing institutions;
2. Requiring deposits from the customers before the delivery of the photovoltaic modules to them; and
3. Agreeing with the customers under the relevant agreements that in case of default of payment, our Group would have the right to request the return of all components and parts sold.

To further protect the financial risk of our Group, our Group had agreed with our suppliers of those photovoltaic modules that, amongst others: (i) the credit periods granted to our Group were made with reference to the relevant credit periods granted to our Group's customers; and (ii) the deposit paid by our Group to our suppliers will be refunded to our Group if our Group has not received the same amount of deposit from our Group's customers. For some of the contracts with our suppliers, it was also stipulated that our Group would pay the balance of the purchase price to the suppliers after our Group has received the relevant payment from the financing banks.

The trade receivables turnover increased from approximately 151 days as at 31 December 2008 to approximately 178 days as at 31 December 2009 but decreased to approximately 147 days as at 31 December 2010. The said increases was mainly due to the increase in our revenue and extensions of grace period for repayment were also granted to some of our customers that were affected by the global financial crisis. Despite the increase in sales during the year ended 31 December 2010, our Group has taken a series of improvement in our collection activities and our management has focused more on the reduction of the period of the credit terms granted to customers such that the trade receivables turnover days has decreased. Our trade receivables turnover increased from approximately 147 days as at 31 December 2010 to approximately 177 days as at 30 September 2011. The increase was mainly due to the increase in trade receivables balances as at 30 September 2011 as a result of our revenue from the precision engineering solutions segment generated in late 2010 and the nine months ended 30 September 2011. As normal credit period of up to 270 days was granted, most of these unsettled receivables were not due or just became due as at 30 September 2011. In addition, our sales of photovoltaic modules also contributed to the increase in our trade receivables balance. Our Directors are of the view that the trade receivables turnover days are expected to remain comparable on a year-on-year basis in the near future given the continuous focus on our precision engineering solutions projects segment which has a generally longer credit period coupled with the seasonal nature of this segment wherein a higher proportion of this business is generally completed in the second half of the year.

Our major customers whose trade receivables balances as at 30 September 2011 remained outstanding as at 29 February 2012 included manufacturers in the precision engineering solutions industry in the PRC, CNC machine tools turnkey project manager and distributor in Indonesia, the PRC and Taiwan, cement manufacturer, and company principally engaged in the research and technological development of coolers as well as the provision of technical support services. We are closely following up and using our best endeavours to collect the outstanding balances from them.

---

## FINANCIAL INFORMATION

---

Some customers have agreed to fully settle the outstanding balance over certain agreed repayment dates, or have obtained financings to make settlement. Outstanding balance under this arrangement amounted to approximately HK\$21.8 million, which has been fully settled as at the Latest Practicable Date. In addition, we are not aware of any change in the financial standing for these customers. In view of this, we do not foresee any problem with the full recovery of the outstanding balances.

Based on our experience, we generally have not experienced collection problems with our customers. We assess impairment of trade receivables on a case-by-case basis and our Directors believe that no impairment allowance is necessary in respect of these balances as there has not been significant change in credit quality and the balances are still considered fully recoverable as explained above. Our Directors are also of the view that our allowances for doubtful debt and bad debt written-off are adequate. To the best of their knowledge, there is no information or development which may require us to make additional allowances for doubtful debt.

The accrued revenue of our Group as at 30 September 2011 amounted to approximately HK\$122.8 million, out of which approximately HK\$25.2 million, HK\$11.4 million, HK\$1.5 million and HK\$51.3 million were billed in October, November, December 2011 and January 2012 respectively.

All services under accrued revenue have been rendered as certain milestones were achieved such as acceptance by customers. However, due to the agreed payment terms, the relevant payment requests were billed to our customers subsequent to 30 September 2011. Up to the Latest Practicable Date, HK\$nil had been settled.

### *Trade Payables*

The table below sets forth an ageing schedule of our trade payables (excluding bills payable) as of the end of each reporting period indicated, presented based on invoice date:

|   | <b>2008</b>          | <b>31 December<br/>2009</b> | <b>2010</b>           | <b>30 September<br/>2011</b> |
|---|----------------------|-----------------------------|-----------------------|------------------------------|
|   | <i>HK\$'000</i>      | <i>HK\$'000</i>             | <i>HK\$'000</i>       | <i>HK\$'000</i>              |
| 0 to 90 days                                      | 34,772               | 22,012                      | 73,837                | 226,434                      |
| 91 to 180 days                                    | 9,308                | 2,588                       | 5,206                 | 29,736                       |
| 181 to 360 days                                   | 2,333                | 5,010                       | 8,088                 | 4,276                        |
| Over 360 days                                     | <u>4,423</u>         | <u>4,044</u>                | <u>2,952</u>          | <u>1,830</u>                 |
| Total trade payables<br>(excluding bills payable) | 50,836               | 33,654                      | 90,083                | 262,276                      |
| Bills payable ( <i>Note</i> )                     | <u>40,772</u>        | <u>56,708</u>               | <u>70,689</u>         | <u>54,938</u>                |
| Total   | <u><u>91,608</u></u> | <u><u>90,362</u></u>        | <u><u>160,772</u></u> | <u><u>317,214</u></u>        |

*Note:* Bills payables were payable to the bank within 180 days from the dates of the relevant drawdown of the banking facilities.

---

## FINANCIAL INFORMATION

---

Our trade payables represent amounts payable in connection with the purchase of materials/goods necessary for our precision engineering solutions projects, production as well as machinery, equipment and other raw materials from various suppliers. We make payments to our suppliers according to the relevant credit periods granted to us by our suppliers. Set out below is a breakdown of credit terms granted to us by our suppliers by business segments:

|  |                    |
|--|--------------------|
| Precision engineering solutions projects   | 0 day to 180 days* |
| Sales of cement production equipment       | 0 day to 90 days   |
| Sales of CNC machining centres             | 0 day to 180 days* |
| Sales of components and parts              | 0 day to 180 days  |
| After-sales and technical support services | Not applicable     |

\* The trade payables are generally matched by our bank trade finance facilities which has credit terms of up to 180 days.

As at 31 December 2008, 2009, 2010 and 30 September 2011, our trade payables amounted to approximately HK\$91.6 million, HK\$90.3 million, HK\$160.8 million and HK\$317.2 million, respectively. The increase in our trade payables was mainly attributable to the corresponding increase in our purchases to meet our increase in sales, in particular in respect of our precision engineering solutions projects and sale of components and parts segments. Up to 31 January 2012, an aggregate of approximately HK\$90.9 million, being 28.7% of the total trade payables as at 30 September 2011, had been settled.

Trade payables turnover increased from approximately 168 days as at 31 December 2008 to approximately 185 days as at 31 December 2009, and decreased to approximately 144 days as at 31 December 2010. The increase was largely a result of the global financial crisis which we extended our repayment terms with our suppliers and the decrease was mainly attributable to our efforts to maintain good relationships with our suppliers so as to cope with the growth opportunity after the global financial crisis. Trade payable turnover increased to 157 days as at 30 September 2011 mainly as a result of increased purchases to meet increased orders.

Our major suppliers whose trade payable balances as at 30 September 2011 were aged longer than the 180 days include suppliers for our precision engineering solutions project in Indonesia, the PRC and Singapore and CNC machining centres. As the relevant precision engineering solutions projects and CNC machining centres sales are either yet to be completed or have just been completed, we will make payment to the suppliers upon receipt of the corresponding payments from our customers after completion of the projects. However, such arrangements have not been set out in our contracts with suppliers.

A significant proportion of our trade payables amounting to approximately 86.3% were aged within 0-90 days whereas the trade receivables of the same aging category only accounted for approximately 31.0% of total trade receivables (net of allowance for doubtful debts and accrued revenue) as at 30 September 2011. This was mainly because some of our precision engineering solutions projects and sale of CNC machining centres were generally financed by our bank trading finance facilities and recorded as bills payables. Such bills payables were payable to the bank within 180 days from the dates of the relevant drawdown of the banking facilities.

---

## FINANCIAL INFORMATION

---

Due to the difference in the credit terms granted by our suppliers (credit terms were granted to us up to 180 days in maximum) and those that we granted to our customers (credit terms were granted by us up to 360 days in maximum), our trade payables balances were normally lower than our trade receivable balances notwithstanding that we had a similar trend of trade receivables and payables during the Track Record Period which is primarily in line with the growth in our business. In addition, our credit terms granted to customers are generally long as the norm of our industry. Correspondingly, we also obtain long credit terms for our trade payables.

### *Other receivables*

|  | <b>2008</b>          | <b>31 December<br/>2009</b> | <b>2010</b>           | <b>30 September<br/>2011</b> |
|--|----------------------|-----------------------------|-----------------------|------------------------------|
|  | <i>HK\$'000</i>      | <i>HK\$'000</i>             | <i>HK\$'000</i>       | <i>HK\$'000</i>              |
| Other receivables  | 40,910               | 61,766                      | 21,931                | 28,780                       |
| Deposits   | 2,750                | 1,636                       | 1,145                 | 845                          |
| Prepayments for expenses                                 | 8,028                | 5,653                       | 15,471                | 17,354                       |
| Prepayments to suppliers                                 | 17,770               | 34,813                      | 98,381                | 91,229                       |
| Staff advances   | 6,688                | 4,866                       | 73                    | 8                            |
| Advances to non-controlling interests<br>of subsidiaries | 4,058                | 4,914                       | 5,066                 | –                            |
|  | <u>80,204</u>        | <u>113,648</u>              | <u>142,067</u>        | <u>138,216</u>               |
| Less: Impairment   | <u>(485)</u>         | <u>(144)</u>                | <u>(145)</u>          | <u>(131)</u>                 |
|  | <u><u>79,719</u></u> | <u><u>113,504</u></u>       | <u><u>141,922</u></u> | <u><u>138,085</u></u>        |

The general increase in other receivables from 31 December 2008 to 30 September 2011 was primarily due to the increase of prepayments to suppliers and prepayments for expenses.

The increase in prepayments from 31 December 2008 to 31 December 2010 primarily due to the prepayments made for engineering designs and jigs and fixtures for industrial solutions projects as well as advance payment to suppliers for purchases, which are in line with the industry norm. Prepayments for engineering designs and jigs and fixtures remained comparable for the year ended 31 December 2009 but decreased in the year ended 31 December 2010 as the provision of industrial solutions which these relate to was delivered in the year ended 31 December 2010. Fees made in the year ended 31 December 2008 for the purpose of listing were expensed off in the year ended 31 December 2009 when the proposed listing in Singapore was abandoned due to the then unfavourable market condition. Advanced payment to suppliers for purchases was higher as at 31 December 2010 primarily due to the high order book for the year. Prepayments to suppliers amounted to approximately HK\$91.2 million as at 30 September 2011. The lead-time for advance payments to suppliers could range from 1 to 14 months depending on the type of components, parts or machine required as well as the complexity of these which is in line with the industry norm and practice. The long lead time of some of the prepayments to our Group's suppliers was mainly due to the fact that the orders to these suppliers were for the production of the machineries which were unique in usage, large scale in monetary term and required a relatively long time for production. Given the specific nature of these machineries, the suppliers normally required a prepayment to be made before actual productions were to take place. The prepayment would not be utilized until our Group received the products

---

## FINANCIAL INFORMATION

---

from the suppliers after they had finished the productions which resulted in a long lead time. Out of the balance of HK\$91.2 million as at 30 September 2011, approximately HK\$34.8 million has been subsequently utilized up to 31 January 2012. Prepayments for fees of approximately HK\$14.7 million and HK\$16.7 million were made as at 31 December 2010 and 30 September 2011 respectively in relation to the proposed Listing.

For the unutilized balance of prepayments to suppliers of HK\$54.1 million as at 31 January 2012, the expected timeframe to utilize is as follows:

| <b>Expected utilization time</b> | <i>HK\$'000</i>      |
|----------------------------------|----------------------|
| February 2012 – March 2012       | 17,722               |
| April 2012 – June 2012           | 36,398               |
| July 2012 – December 2012        | <u>89</u>            |
|                                  | <u><u>54,120</u></u> |

### *Other payables*

As at 31 December 2008, 2009, 2010 and 30 September 2011, our other payables amounted to approximately HK\$61.1 million, HK\$87.1 million, HK\$141.0 million and HK\$102.9 million, respectively. Other payables primarily consists of sundry creditors, deposits received, accrued expenses, dividend payable, amounts due to related parties and consideration payable for acquisition of subsidiaries. Sundry creditors relate mainly to professional fees in relation to the proposed listing in Singapore and advance from an investor. Deposits received are primarily for precision engineering solutions projects and sale of cement production equipment. Accrued expenses are mainly in relation to professional fees and payroll.

The increase of other payables as at 31 December 2009 compared to 31 December 2008 was which was mainly attributable to a loan from a then director of our subsidiary.

The increase of other payables as at 31 December 2010 compared to 31 December 2009 was primarily due to the increase in amounts due to related parties arising from dividends declared and consideration payable to Mr. Fu for the acquisition of his remaining 49% interest in Fuyang International. This was partly offset by the repayment of the loan from a then director of our subsidiary.

The decrease of other payables as at 30 September 2011 compared to 31 December 2010 was due mainly to part settlement of consideration payable to Mr. Fu for the acquisition as mentioned above in 2011.

As at 31 December 2008, 2009, 2010 and 30 September 2011, deposits received amounted to approximately HK\$45.9 million, HK\$56.5 million, HK\$50.4 million and HK\$72.1 million, respectively. The increase from 31 December 2008 to 31 December 2009 was primarily attributable to the global financial crisis which resulted in less precision engineering solutions projects secured in the year ended 31 December 2008 up till late 2009 when the market started to recover. In addition, there is also an increase in deposits received by Tianjin FeiSiTe in line with the continued demand from the constructions materials industry in the PRC. The decrease of deposit received from 31 December

## FINANCIAL INFORMATION

2009 to 31 December 2010 is mainly attributable to reduced deposits received by Tianjin FeiSiTe due mainly to more credit sales. Deposits received increased from 31 December 2010 to 30 September 2011 mainly due to increased deposits received for new orders of CNC machining centres during the financial period.

Accrued expenses remained relatively comparable in 2008 and 2009 and increased in 2010 and as at 30 September 2011 and amounted to approximately HK\$6.6 million, HK\$6.9 million, HK\$8.3 million and HK\$12.7 million, respectively, as at 31 December 2008, 2009, 2010 and 30 September 2011. The increase from 31 December 2008 to 31 December 2010 is primarily attributable to higher accrued payroll arising from the increase in headcount of key management and finance department staff to support the growth in our Group's business and higher professional fees in relation to the proposed listing. The increase from 31 December 2010 to 30 September 2011 was mainly due to accruals of professional fees in connection with the proposed listing on the Stock Exchange.

### LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

#### Net current assets

Details of our Group's current assets and liabilities as of respective dates of the combined statements of the financial position are extracted as follows:

|                             | As at<br>31 December<br>2008<br>HK\$'000 | As at<br>31 December<br>2009<br>HK\$'000 | As at<br>31 December<br>2010<br>HK\$'000 | As at<br>30 September<br>2011<br>HK\$'000 | As at<br>31 January<br>2012<br>HK\$'000 |
|-----------------------------|--|--|--|---|---|
| <b>Current assets</b>       |  |  |  |   |   |
| Inventories                 | 18,897                                   | 15,524                                   | 20,946                                   | 31,001                                    | 22,320                                  |
| Trade receivables           | 138,441                                  | 144,389                                  | 232,483                                  | 474,931                                   | 618,710                                 |
| Other receivables           | 79,719                                   | 113,504                                  | 141,922                                  | 138,085                                   | 168,816                                 |
| Pledged deposits            | 5,912                                    | 5,735                                    | 5,342                                    | 1,418                                     | –                                       |
| Cash and bank balances      | 34,465                                   | 73,389                                   | 115,413                                  | 39,137                                    | 30,497                                  |
|                             | <u>277,434</u>                           | <u>352,541</u>                           | <u>516,106</u>                           | <u>684,572</u>                            | <u>840,343</u>                          |
| <b>Current liabilities</b>  |  |  |  |   |   |
| Bank loans and overdrafts   | 22,968                                   | 23,260                                   | 20,396                                   | 9,187                                     | 6,326                                   |
| Trade payables              | 91,608                                   | 90,362                                   | 160,772                                  | 317,214                                   | 436,170                                 |
| Other payables and accruals | 61,153                                   | 87,065                                   | 141,033                                  | 102,930                                   | 115,294                                 |
| Redeemable convertible loan | –  | –  | 37,544                                   | 53,096                                    | 54,479                                  |
| Derivative liabilities      | –  | –  | 43,014                                   | 40,677                                    | 77,882                                  |
| Finance leases payable      | 2,942                                    | 1,830                                    | 1,461                                    | 648                                       | 970                                     |
| Tax payables                | 6,523                                    | 4,850                                    | 9,032                                    | 11,161                                    | 14,080                                  |
|                             | <u>185,194</u>                           | <u>207,367</u>                           | <u>413,252</u>                           | <u>534,913</u>                            | <u>705,201</u>                          |
| <b>Net current assets</b>   | <u>92,240</u>                            | <u>145,174</u>                           | <u>102,854</u>                           | <u>149,659</u>                            | <u>135,142</u>                          |

---

## FINANCIAL INFORMATION

---

Our current assets mainly comprised cash and bank balances, pledged deposits, trade receivables, other receivables, and inventories. Our total current assets amounted to approximately HK\$277.4 million, HK\$352.5 million, HK\$516.1 million, HK\$684.6 million and HK\$840.3 million as at 31 December 2008, 2009, 2010, 30 September 2011 and 31 January 2012, respectively, and represented approximately 84.0%, 87.2%, 89.7%, 92.5% and 92.5% of our total assets as at 31 December 2008, 2009, 2010, 30 September 2011 and 31 January 2012, respectively.

Our cash and bank balances amounted to approximately HK\$34.5 million, HK\$73.4 million, HK\$115.4 million, HK\$39.1 million and HK\$30.5 million as at 31 December 2008, 2009, 2010, 30 September 2011 and 31 January 2012, respectively. Our liquidity position is generally stronger at the end of the year due to the seasonal nature of our business as our customers perform their annual budgeting at the beginning of the year and tend to fully utilise their respective capital expenditure budgets before the new budgetary year. We usually record a higher proportion of our revenue in the second half of a year particularly in the last quarter. Furthermore, due to our credit terms granted to customers which is in line with the industry norm, our trade receivables balance is generally higher as at the interim financial periods. We are also generally required to make advance payments to the suppliers as deposits during the first half of the year to secure procurements required to meet our orders for delivery in the second half of the year. In view of these, we generally experience a weaker liquidity position at the end of interim periods compared to the year end. Therefore, our cash position deteriorated significantly from HK\$115.4 million as at 31 December 2010 to HK\$30.5 million as at 31 January 2012.

Our current liabilities comprised trade payables, other payables, redeemable convertible loan, bank loans and overdrafts repayable within the next 12 months, income tax payables and finance leases payable. Our total current liabilities amounted to approximately HK\$185.2 million, HK\$207.3 million, HK\$413.3 million, HK\$534.9 million and HK\$705.2 million as at 31 December 2008, 2009, 2010, 30 September 2011 and 31 January 2012, respectively, and represented approximately 96.5%, 94.9%, 95.5%, 96.0% and 97.4% of our total liabilities as at 31 December 2008, 2009, 2010, 30 September 2011 and 31 January 2012, respectively.

The net current assets of our Group increased from approximately HK\$92.2 million as at 31 December 2008 to approximately HK\$145.2 million as at 31 December 2009, representing an increase of approximately HK\$53.0 million or approximately 57.5%. The increase was due to the continuous expansion of our Group and was largely due to an increase in cash and bank balances of approximately HK\$38.9 million. Other receivables also contributed to an increase of approximately HK\$33.8 million due mainly to advanced payments made to suppliers by Tianjin FeiSiTe.

The net current assets of our Group decreased from approximately HK\$145.2 million as at 31 December 2009 to approximately HK\$102.8 million as at 31 December 2010, which was mainly due to continued increase in business activities which resulted in an increase in trade payables for purchases made and income tax payable as well as an increase in accruals for professional fees in relation to the listing. In addition, our Group obtained additional funding in the form of a redeemable convertible loan. Other payables also increased largely due to consideration payable for the acquisition of the remaining interest in a subsidiary and dividends payable to a minority shareholder of a subsidiary.



---

## FINANCIAL INFORMATION

---

The net current assets of our Group increased from approximately HK\$102.9 million as at 31 December 2010 to approximately HK\$135.1 million as at 31 January 2012. The increase was due to the continuous expansion of our Group and was largely due to an increase in trade receivables which was in line with the increase in sales activities. The increase in current assets is partly offset by a corresponding increase in trade payables for purchases and increase in fair value of derivative liabilities.

### Cash flow

The following table sets out the changes in cash flows of our Group for the Track Record Period:

|   | <b>Year ended<br/>31 December</b> |                      |                       | <b>Nine months ended<br/>30 September</b> |                      |
|---|-----------------------------------|----------------------|-----------------------|---|----------------------|
|   | <b>2008</b>                       | <b>2009</b>          | <b>2010</b>           | <b>2010</b>                               | <b>2011</b>          |
|   | <i>HK\$'000</i>                   | <i>HK\$'000</i>      | <i>HK\$'000</i>       | <i>HK\$'000</i>                           | <i>HK\$'000</i>      |
|   |                                   |                      |                       | (unaudited)                               |                      |
| Net cash generated from/<br>(used in)-operating activities      | 11,550                            | 46,577               | 15,964                | (56,817)                                  | (28,169)             |
| Net cash generated from/(used in)<br>investing activities       | 225                               | (3,753)              | (8,850)               | (4,994)                                   | 2,227                |
| Net cash (used in)/generated<br>from financing activities       | (3,303)                           | (5,488)              | 27,645                | 30,450                                    | (51,414)             |
| <b>Net increase/(decrease) in<br/>cash and cash equivalents</b> | <b>8,472</b>                      | <b>37,336</b>        | <b>34,759</b>         | <b>(31,361)</b>                           | <b>(77,356)</b>      |
| Cash and cash equivalents at<br>beginning of the year/period    | 18,623                            | 31,766               | 70,599                | 70,599                                    | 114,045              |
| Effect of exchange rate changes,<br>net                         | <u>4,671</u>                      | <u>1,497</u>         | <u>8,687</u>          | <u>7,845</u>                              | <u>2,447</u>         |
| <b>Cash and cash equivalents at<br/>end of the year/period</b>  | <b><u>31,766</u></b>              | <b><u>70,599</u></b> | <b><u>114,045</u></b> | <b><u>47,083</u></b>                      | <b><u>39,136</u></b> |

### *Operating activities*

For the financial year ended 31 December 2008, we recorded net cash inflow from operating activities of approximately HK\$11.5 million comprising operating cash flow before working capital inflow of approximately HK\$56.2 million. These cash inflows were offset by our net working capital



---

## FINANCIAL INFORMATION

---

changes of approximately HK\$37.5 million, and income tax payments of approximately HK\$7.2 million. We had net working capital outflow of approximately HK\$37.5 million due to the following:–

- (a) Cash inflow arising from a decrease in inventories of approximately HK\$3.5 million mainly due to the increased in business activities of Tianjin FeiSiTe;
- (b) cash outflow arising from an increase in trade receivables of approximately HK\$35.6 million mainly from the increase in sales contributed by Tianjin FeiSiTe with the increase of its trade receivables by HK\$23.3 million;
- (c) cash outflow arising from an increase in other receivables of approximately HK\$3.6 million mainly from the increases in amounts due from related parties, prepayments and other receivables from shareholders by approximately HK\$9.4 million, HK\$4.3 million and HK\$3.0 million respectively which is partly offset by a decrease in other receivables from third parties of approximately HK\$12.3 million;
- (d) cash inflow arising from an increase in trade payables of approximately HK\$39.0 million due mainly to the increase in purchases from third parties corresponding to increased sales; and
- (e) cash outflow arising from a decrease in other payables and accruals of approximately HK\$40.8 million. This was attributed mainly to a decrease in dividends payable and consideration payable for the acquisition of a subsidiary to non-controlling interest of approximately HK\$26.2 million and HK\$30.9 million respectively which was partly offset by an increase in deposits received from customers of approximately HK\$10.6 million.

For the financial year ended 31 December 2009, we recorded net cash inflow from operating activities of approximately HK\$46.6 million comprising operating cash flow before working capital inflow of approximately HK\$67.6 million. These cash inflows were offset by our net working capital changes of approximately HK\$8.9 million and income tax payments of approximately HK\$12.1 million. We had net working capital outflow of approximately HK\$8.9 million due to the following:–

- (a) cash outflow arising from an increase in trade receivables of approximately HK\$6.2 million mainly from increased credit sales;
- (b) cash outflow arising from an increase in other receivables of approximately HK\$30.7 million mainly from the increases in prepayments to supplier's and other receivables from third parties by approximately HK\$17.0 million and HK\$20.8 million respectively. This was partially offset by decrease in prepayments for expenses and staff advances of HK\$1.8 million and HK\$2.4 million, respectively;
- (c) cash inflow arising from a decrease in inventory balances of approximately HK\$3.4 million, attributed mainly to the decrease in inventories in CWI (Shanghai) and KIWA-CW by HK\$3.3 million and HK\$2.0 million respectively as a result of the effort by management to reduce inventory holding levels. This was partially offset by increase in inventory of Tianjin FeiSiTe and CW Advanced Technologies by HK\$1.2 million and HK\$0.6 million respectively as at year end;

---

## FINANCIAL INFORMATION

---

- (d) cash outflow arising from an increase in trade payables of approximately HK\$1.3 million due to efforts to maintain good working relationships with suppliers; and
- (e) cash inflow arising from an increase in other payables and accruals of approximately HK\$25.9 million. This was attributed mainly to an advance from a director and deposits received from customers of approximately HK\$9.6 million and HK\$10.6 million respectively.

For the financial year ended 31 December 2010, we recorded net cash inflow from operating activities of approximately HK\$16.0 million comprising operating cash flow before working capital inflow of approximately HK\$104.1 million. These cash inflows were offset by our net working capital changes of approximately HK\$75.2 million and income tax payments of approximately HK\$12.9 million respectively. We had net working capital outflow of approximately HK\$75.2 million due to the following:–

- (a) cash outflow from an increase in trade receivables of approximately HK\$88.0 million mainly in line with the increase in turnover;
- (b) cash outflow arising from an increase in other receivables of approximately HK\$28.8 million mainly from the increase in advance payments to supplier for goods of approximately HK\$63.6 million and prepayments of approximately HK\$9.8 million largely due to professional fees in relation to the listing which is partly offset by a decrease in other receivables from third parties, related parties and staff advances of approximately HK\$22.9 million, HK\$16.1 million and HK\$4.8 million respectively;
- (c) cash outflow arising from an increase in inventories of approximately HK\$5.7 million primarily from Tianjin FeiSiTe and KIWA-CW of approximately HK\$4.4 million and HK\$1.9 million respectively to meet orders on hand partially offset by a decrease in CWI (Shanghai) of approximately HK\$1.0 million;
- (d) cash inflow arising from an increase in trade payables of approximately HK\$70.4 million primarily due to increased purchases which is in line with the corresponding increase in revenue; and
- (e) cash outflow arising from a decrease in other payables of approximately HK\$23.1 million largely attributable to the consideration payable for the acquisition of the remaining equity interest in a subsidiary and dividends payable to non-controlling interest.

For the nine months ended 30 September 2011, we recorded net cash outflow from operating activities of approximately HK\$28.2 million comprising operating cash flow before working capital inflow of approximately HK\$79.8 million. The cash outflow is mainly as a result of our net working capital changes of approximately HK\$96.3 million and income tax payment of approximately HK\$11.7 million. We had net working capital outflow of approximately HK\$96.3 million due to the following:–

- (a) cash outflow from an increase in trade receivables of approximately HK\$243.5 million mainly in line with the increase in turnover;

---

## FINANCIAL INFORMATION

---

- (b) cash inflow arising from a decrease in other receivables of approximately HK\$3.8 million mainly from decreases in advance payments to supplier for goods and settlement of advances to non-controlling interests of approximately HK\$7.1 million and HK\$5.1 million respectively, which is partly offset by increases in prepayment for expenses largely in relation to professional fees in relation to the listing and short-term loans to employees of approximately HK\$1.9 million and HK\$6.4 million respectively. As at 30 September 2011, the outstanding balance of such short-term loans to employees of HK\$6.4 million were unsecured, interest-free and repayable on a monthly or half-yearly basis. They have been fully repaid as at the Latest Practicable Date;
- (c) cash outflow arising from an increase in inventories of approximately HK\$10.1 million which is to meet our seasonal nature of having higher sales in the second half of the year;
- (d) cash inflow arising from an increase in trade payables of approximately HK\$156.5 million primarily due to increased purchases which is in line with the corresponding increase in turnover; and
- (e) cash outflow arising from a decrease in other payables and accruals of approximately HK\$3.0 million largely attributable to part payment of the consideration for the acquisition of the remaining equity interest in a subsidiary and dividends payable to the previous non-controlling interest of a subsidiary.

### *Investing activities*

For the financial year ended 31 December 2008, net cash generated from our Group's investing activities was approximately HK\$0.2 million, which was mainly due to cash inflow from decreases in pledged deposits and interest received of approximately HK\$4.8 million and HK\$0.8 million respectively. This was partially offset by cash outflows from the purchase of property, plant and equipment as well as land use rights of approximately HK\$4.6 million and HK\$0.8 million respectively.

For the financial year ended 31 December 2009, net cash used in our Group's investing activities was approximately HK\$3.8 million, which was mainly due to cash outflow from the purchase of property, plant and equipment of approximately HK\$4.4 million, which was partially offset by cash inflows from interest received and a decrease in pledged deposits of approximately HK\$0.4 million and HK\$0.2 million respectively.

For the financial year ended 31 December 2010, net cash used in our Group's investing activities was approximately HK\$8.9 million, which was mainly due to cash outflow for the purchase of property, plant and equipment of approximately HK\$9.7 million. This was partially offset by cash inflows from interest received and a decrease in pledged deposits of approximately HK\$0.4 million and HK\$0.4 million respectively.

For the nine months ended 30 September 2011, net cash generated from our Group's investing activities was approximately HK\$2.2 million due mainly to cash inflow from a decrease in pledged deposits and proceeds from the disposal of property, plant and equipment of approximately HK\$3.9

---

## FINANCIAL INFORMATION

---

million and HK\$1.3 million respectively. This was partly offset by cash outflow for the purchase of property, plant and equipment of approximately HK\$3.4 million.

### *Financing activities*

For the financial year ended 31 December 2008, net cash used in our Group's financing activities was approximately HK\$3.3 million, which was mainly due to cash outflows for the repayment of borrowings, interest and finance charges paid, and repayment of finance leases of approximately HK\$17.9 million, HK\$4.5 million and HK\$1.2 million respectively. This was partly offset by the cash inflow from the drawdown of bank loans of approximately HK\$20.3 million.

For the financial year ended 31 December 2009, net cash used in our Group's financing activities was approximately HK\$5.5 million arising mainly from cash outflow for the repayment of bank loans, interest and finance charges paid, and repayment of finance leases of approximately HK\$20.3 million, HK\$4.1 million and HK\$1.6 million respectively. This was partly offset by the cash inflow from drawdown of bank loans of approximately HK\$20.5 million.

For the financial year ended 31 December 2010, net cash generated from our Group's financing activities was approximately HK\$27.6 million which was mainly due to:-

- (a) proceeds from the issuance of convertible loan and shares of approximately HK\$50.0 million and HK\$19.6 million respectively;
- (b) cash inflow from the drawdown of bank loan of approximately HK\$10.2 million;
- (c) cash outflow from the repayment of bank loan, interest and finance charges paid, and repayment of finance leases of approximately HK\$8.3 million, HK\$4.6 million and HK\$1.8 million respectively; and
- (d) payment for dividends and shares buyback of approximately HK\$33.8 million and HK\$3.7 million respectively.

For the nine months ended 30 September 2011, net cash used in our Group's financing activities was approximately HK\$51.4 million which was mainly due to: cash outflow for interest and finance charges paid of HK\$3.9 million; repayment of bank loans and finance leases of approximately HK\$11.0 million and HK\$1.2 million respectively; and part settlement of the consideration for the acquisition of non-controlling interest of approximately HK\$35.3 million.

---

## FINANCIAL INFORMATION

---

### STATEMENT OF INDEBTEDNESS

#### Borrowings and banking facilities

As at the close of business on 31 December 2008, 2009, 2010, 30 September 2011 and 31 January 2012, we had bank loans and overdrafts, bills payable, finance lease payable, redeemable convertible loan and derivative liabilities amounting to approximately HK\$69.5 million, HK\$84.3 million, HK\$178.9 million, HK\$161.4 million and HK\$202.0 million respectively. The table below set forth our bank loans and overdrafts bills payable, finance lease payable, redeemable convertible loan and derivative liabilities:

|                                     | As at 31 December |                 | As at<br>30 September | As at<br>31 January |
|-------------------------------------|-------------------|-----------------|-----------------------|---------------------|
|                                     | 2008              | 2009            | 2010                  | 2011                |
|                                     | <i>HK\$'000</i>   | <i>HK\$'000</i> | <i>HK\$'000</i>       | <i>HK\$'000</i>     |
| Bank overdrafts repayable on demand | 2,699             | 2,790           | 1,368                 | 1                   |
| Bills payable                       | 40,772            | 56,708          | 70,689                | 54,938              |
| Finance lease payable               | 5,782             | 4,347           | 2,586                 | 1,404               |
| Short term bank loans repayable     |                   |                 |                       |                     |
| within one year                     | 20,269            | 20,470          | 20,396                | 9,186               |
| Bank loans repayable after one year | –                 | –               | 3,295                 | 2,106               |
| Redeemable convertible loan         | –                 | –               | 37,544                | 53,096              |
| Derivative liabilities              | –                 | –               | 43,014                | 40,677              |
|                                     | <u>69,522</u>     | <u>84,315</u>   | <u>178,892</u>        | <u>161,408</u>      |
|                                     | <u>201,985</u>    |                 |                       |                     |

The short-term bank loans bore interest at rates ranging from 5.58% to 8.54%, 5.58% to 8.54%, 5.00% to 10.53%, 5.0% to 11.89% and 5% to 13.47% per annum at 31 December 2008, 2009, 2010, 30 September 2011 and 31 January 2012, respectively. These bank loans were secured by corporate guarantees given by a subsidiary of the Company, namely, CWG, and pledged deposits with carrying amounts of approximately HK\$5.9 million, HK\$5.7 million, HK\$5.3 million, HK\$1.4 million and HK\$nil million at 31 December 2008, 2009, 2010, 30 September 2011 and 31 January 2012, respectively. In addition to the above, the bank loan of KIWA-CW (Shanghai) amounting to approximately HK\$2.2 million as at 30 September 2011 was further secured by the corporate guarantee given by KIWA.

As at the close of business on 30 September 2011, we had aggregate banking facilities of approximately HK\$148.8 million, of which HK\$66.2 million were utilized. As at the close of business on 31 January 2012, we had aggregate banking facilities of approximately HK\$130.6 million, of which HK\$68.5 million utilized. There are no restrictions or requirement for the utilization of such unutilized facilities.

---

## FINANCIAL INFORMATION

---

### Contingent liabilities

Our Group has provided banker's guarantees of approximately S\$0.7 million (equivalent to approximately HK\$3.8 million), S\$2.6 million (equivalent to approximately HK\$14.4 million), S\$Nil, S\$Nil and S\$Nil to outside parties for the performance of contracts at 31 December 2008, 2009, 2010, 30 September 2011 and 31 January 2012, respectively.

### Commitments

As at 31 December 2008, 2009, 2010, 30 September 2011 and 31 January 2012, our Group had commitments for future minimum lease payments under non-cancellable operating leases for rental of factory spaces, office premises, residential premises and office equipment which fall due as follows:

|  | As at 31 December |                 | As at<br>30 September |                 | As at<br>31 January |
|--|-------------------|-----------------|-----------------------|-----------------|---------------------|
|  | 2008              | 2009            | 2010                  | 2011            | 2012                |
|  | <i>HK\$'000</i>   | <i>HK\$'000</i> | <i>HK\$'000</i>       | <i>HK\$'000</i> | <i>HK\$'000</i>     |
| Within one year                        | 1,698             | 2,915           | 2,208                 | 3,112           | 3,552               |
| In the second to fifth years inclusive | 2,990             | 5,597           | 3,592                 | 3,496           | 2,719               |
| More than five years                   | 328               | —               | —                     | —               | —                   |
|  | <u>5,016</u>      | <u>8,512</u>    | <u>5,800</u>          | <u>6,608</u>    | <u>6,271</u>        |

During the Track Record Period, leases are negotiated for an average term of 5 years and rentals are fixed for an average of 5 years.

### Personal Guarantees extended by Directors and Shareholders

As at the close of business on 30 September 2011 and 31 January 2012, the loans and the utilized credit facilities in the aggregate amount of S\$9.9 million (approximately HK\$58.5 million) and S\$10.3 million (approximately HK\$63.6 million) respectively to which the above guarantees relate to have not been repaid. Upon the Listing, all of the aforesaid joint and several guarantees will be discharged.

Subsequent to 31 January 2012, our Group secured a short-term loan of HK\$15 million, which was guaranteed by personal guarantees provided by Mr. William Wong and Mr. Sam Wong, both being the Controlling Shareholders and executive Directors of our Company. As at the Latest Practicable Date, such loan has been fully settled.

### Disclaimers

Save as disclosed in the section headed "Statement of Indebtedness" above, and apart from intra-group liabilities, we did not have outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loans, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities outstanding as at 31 January 2012 (being the latest practicable date for the purpose of indebtedness statement) and the Directors confirm that there has been no material change in the Company's indebtedness since 31 January 2012.

---

## FINANCIAL INFORMATION

---

### DIVIDEND POLICY AND WORKING CAPITAL

#### Dividend policy

The payment and the amount of any dividends to be declared by our Group in the future will be determined at the sole discretion of the Directors and will depend on, among other things, the results of operations, financial condition, working capital requirements, future prospects, the amount of distributable profits based on the applicable laws and regulations. During the Track Record Period, the following subsidiaries declared interim dividends in the relevant periods as follows:

|   | <b>Approximately</b><br><i>HK\$'000</i> |
|---|---|
| Financial year ended 31 December 2008:<br>FNW International Pte. Ltd.     | 693                                     |
| Financial year ended 31 December 2010:<br>Fu Yang International Co., Ltd. | 154,115                                 |

Subject to the conditions set forth in the preceding paragraph, it is our Directors' current intention for the foreseeable future to recommend annually the distribution to Shareholders of not less than 20% of our Company's future annual net profits attributable to the shareholders as dividends after the Global Offering. Such intention does not amount to any guarantee or representation or indication that the Company must or will declare and pay dividend in such manner or declare and pay any dividend at all.

#### Working capital

Taking into account cash flow position of our Group, credit facilities available to our Group and the estimated net proceeds of the Global offering, the Directors are of the opinion that our Group will have sufficient funds to meet its working capital requirements and financial requirements for capital expenditure for at least the next 12 months from the date of this prospectus.

#### MARKET RISKS

We are, in the normal course of business, exposed to various market risks, including the following:

##### Foreign exchange risk

Our Group's transacts business in various foreign currencies, including the United States dollar, EUR, Chinese Renminbi, British pound and Japanese yen and therefore is exposed to foreign exchange risk.

---

## FINANCIAL INFORMATION

---

Set out below is the breakdown of our revenue and purchases by currency during the Track Record Period:

*Revenue breakdown by currency:*

|                         | For the year ended 31 December |       |       | For the nine<br>months ended<br>September |
|-------------------------|--------------------------------|-------|-------|---|
|                         | 2008                           | 2009  | 2010  | 2011                                      |
| S\$                     | 18.4%                          | 6.3%  | 12.0% | 31.8%                                     |
| RMB                     | 58.6%                          | 60.1% | 48.5% | 26.6%                                     |
| US\$                    | 7.2%                           | 17.2% | 16.9% | 10.2%                                     |
| EUR                     | 7.0%                           | 14.0% | 14.1% | 29.7%                                     |
| ¥                       | 8.7%                           | 2.4%  | 4.7%  | 1.6%                                      |
| Others (excluding HK\$) | 0.1%                           | 0.0%  | 3.8%  | 0.1%                                      |
| Total:                  | 100%                           | 100%  | 100%  | 100%                                      |

*Purchases breakdown by currency:*

|                         | For the year ended 31 December |       |       | For the nine<br>months ended<br>September |
|-------------------------|--------------------------------|-------|-------|---|
|                         | 2008                           | 2009  | 2010  | 2011                                      |
| S\$                     | 25.3%                          | 2.8%  | 11.2% | 33.1%                                     |
| RMB                     | 54.3%                          | 55.2% | 42.4% | 18.0%                                     |
| US\$                    | 4.8%                           | 17.3% | 14.2% | 15.3%                                     |
| EUR                     | 8.9%                           | 13.3% | 19.8% | 30.7%                                     |
| ¥                       | 5.1%                           | 11.4% | 8.1%  | 2.9%                                      |
| Others (excluding HK\$) | 1.6%                           | 0.0%  | 4.3%  | 0.0%                                      |
| Total:                  | 100%                           | 100%  | 100%  | 100%                                      |

Our Group manages its foreign exchange exposure as far as possible by matching the currency that it transacts with its customers to the currency that it purchased in to create a natural hedge.

During the Track Record Period, the result of the transactions in various foreign currencies is reflected in the carrying amounts of significant monetary assets and monetary liabilities denominated in currencies other than our Group entities' functional currencies. The details and a sensitivity analysis can be found in Note 31(b)(i) to the Accountants' Report in Appendix I to this prospectus.



---

## FINANCIAL INFORMATION

---

Our Group's foreign exchange losses during the Track Record Period are as follows:

|                       | <b>For the year ended</b> |                 |                 | <b>For the nine months end</b> |                 |
|-----------------------|---------------------------|-----------------|-----------------|--------------------------------|-----------------|
|                       | <b>31 December</b>        |                 |                 | <b>30 September</b>            |                 |
|                       | <b>2008</b>               | <b>2009</b>     | <b>2010</b>     | <b>2010</b>                    | <b>2011</b>     |
|                       | <i>HK\$'000</i>           | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i>                | <i>HK\$'000</i> |
| Foreign exchange loss | 3,257                     | 1,674           | 1,058           | 3,365                          | 3,349           |

The foreign exchange losses as a proportion of the respective revenues during the Track Record Period were 1.12%, 0.58%, 0.23% and 0.61% respectively. The Directors consider that such foreign exchange losses not significant.

The foreign exchange loss for the nine months ended 30 September 2011 relates mainly to realized losses from operations of approximately HK\$3.1 million and unrealized losses of approximately HK\$2.9 million. This is partly offset by foreign exchange gain of approximately HK\$2.7 million. Such foreign exchange gain relates to the revaluation of the consideration payable for the acquisition of the 49% equity interest in Fuyang International which was denominated in Singapore dollars but recorded by FNW International, the purchaser, in US dollars as this is its functional currency. US dollars depreciated against Singapore dollar from 1.2858 as at 31 December 2010 to 1.3140 as at 30 September 2011.

The natural hedge may still be considered effective during the Track Record Period as there were no significant realized exchange losses as presented above as compared to our Group's profit before tax during the Track Record Period.

We have explored possible foreign exchange hedging instruments with our bankers. However, due to the nature of our Group's business, we have not been able to structure a suitable hedging model. In addition, the collection cycle of our Group may be fluid. Our Group's transactions and collection cycles may on a case-by-case basis be impacted by a variety of factors including, but not limited to, shipment schedules, any disruptions to the set up and installations, any further fine tuning required for turnkey production line set-ups, timeliness of payment by customer etc. Hence, should our Group enter into ineffective hedging instruments, it may be exposed to unnecessary costs and other risks of hedging instruments such as delivery risk. In view of these and the effect of natural hedge as described above, the Directors consider that the existing foreign exchange management policy of our Group is effective. Notwithstanding this, we will continue to monitor our policy and explore alternative avenues for hedging when the possibility or opportunity arises.

Our Group has a number of investments in foreign subsidiaries, whose net assets are exposed to currency translation risk. No hedge has been taken up to mitigate this exposure as it does not impact cash flows.

---

## FINANCIAL INFORMATION

---

### **Interest rate risk**

Interest rate risk arises from potential changes in interest rates that may have an adverse effect on our Group's results in the Relevant Periods and in future years.

The sensitivity analysis below have been determined based on the exposures to interest rates for significant non-derivatives instruments at the end of each reporting period and the stipulated change taking place at the beginning of each reporting period and held constant throughout the period in the case of instruments that have floating rates.

At 31 December 2008, 2009 and 2010, and 30 September 2011, it is estimated that a 50 basis point increase in interest rates would decrease our Group's profit before tax by approximately HK\$118,000, HK\$112,000, HK\$89,000, and HK\$41,000, respectively.

### **Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to our Group. Our Group's exposure of its counterparties is consistently monitored. Credit exposure is controlled by the counterparty limits that are reviewed and approved by the management on ongoing basis.

The maximum exposure to credit risk in the event that counterparties fail to perform their obligations as at the end of each reporting period in relation to trade receivables is the carrying amount of trade receivables as stated in the combined statements of financial position at the end of each reporting period.

Our Group manages credit risk by trading only with recognized and creditworthy third parties.

Receivable balances are monitored on an ongoing basis with the result that our Group's exposure to bad debts is not significant.

Our Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

### **Liquidity risk**

Liquidity risk reflects the risk that our Group will have insufficient resources to meet its financial liabilities as they fall due. In the management of the liquidity risks, our Group actively manages its debt maturity profile, operating cash flows and availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall liquidity management, our Group maintains sufficient level of cash to meet its working capital requirement. In addition, our Group strives to maintain available banking facilities of a reasonable level to its overall debt position.

---

## FINANCIAL INFORMATION

---

### RELATED PARTY TRANSACTIONS

With respect to the related party transactions set out in the combined financial statements of our Group included in the Accountants' Report of the Company in Appendix I to this prospectus, the Directors confirm that these transactions were conducted on normal commercial terms and/or that such terms were no less favourable to our Group than terms available to Independent Third Parties and were fair and reasonable and in the interest of the Shareholders as a whole.

### PROPERTY INTERESTS

Details relating to our property interests are set out in Appendix IV to this prospectus. DTZ Debenham Tie Leung Limited, an independent property valuer, has valued the properties owned and leased by us as of 31 December 2011. The text of their letter, summary of valuations and valuation certificates are set out in Appendix IV to this prospectus.

The table below sets forth the reconciliation of the aggregate amount of net book value of our Group's property interests from our combined financial information as at 30 September 2011 to the valuation of the property interests as at 31 December 2011:

|  | <i>HKD'000</i>      |
|--|---------------------|
| Building ( <i>note</i> )   | 973                 |
| Prepaid land lease payments  | <u>817</u>          |
| Net book value of property interests of our Group as at 30 September 2011                        | 1,790               |
| Less: Depreciation and amortisation during the period from<br>1 October 2011 to 31 December 2011 | <u>36</u>           |
| Net book value of property interest of our Group as at 31 December 2011                          | 1,754               |
| Valuation of properties as at 31 December 2011 as set out in Appendix IV<br>to this prospectus   | <u>3,121</u>        |
| Valuation surplus  | <u><u>1,367</u></u> |

*Note:* A small storage for CWI (Shanghai) having a net book value of approximately HK\$39,000 as at 30 September 2011 was not included in the valuation conducted by DTZ Debenham Tie Leung Limited.

### DISTRIBUTABLE RESERVES

There were no reserves available for distribution to the shareholders of the Company as at 31 December 2009 as the Company was incorporated on 11 June 2010.

### DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

The Directors have confirmed that as at the Latest Practicable Date, they were not aware of any circumstances which would give rise to a disclosure obligation under Rules 13.13 to 13.19 of the Listing Rules.

---

## FINANCIAL INFORMATION

---

### NO MATERIAL ADVERSE CHANGE

The Directors have confirmed that there has been no material adverse change in the financial or trading positions or prospects of our Group since 30 September 2011, being the date to which our Group's latest audited financial statements were made up. The Company has prepared the unaudited 2011 Preliminary Financial Information. Set out below is the summary of key financial highlights (unaudited) of our Group for the year ended 31 December 2011:

#### Summary of operations

|  | For the year ended |             |
|--|--------------------|-------------|
|  | 31 December        |             |
|  | 2010               | 2011        |
|  | HK\$'000           | HK\$'000    |
|  |                    | (unaudited) |
| Revenue  | 469,450            | 753,566     |
| Gross profit   | 145,244            | 179,469     |
| Profit for the year                                  | 50,620             | 68,015      |
| Profit attributable to equity holders of the Company | 26,852             | 68,015      |

Profits of our Group for the years ended 31 December 2010 and 2011 shown above have been stated after deduction of the relevant adjustments relating to the fair value to the redeemable convertible loan of approximately HK\$24.1 million and HK\$20.1 million respectively that have been charged to our Group's combined statement of comprehensive income for the respective years.

#### Summary of net assets

|                   | For the year ended |             |
|-------------------|--------------------|-------------|
|                   | 31 December        |             |
|                   | 2010               | 2011        |
|                   | HK\$'000           | HK\$'000    |
|                   |                    | (unaudited) |
| Total assets      | 575,415            | 843,475     |
| Total liabilities | 432,887            | 626,193     |
| Net assets        | 145,528            | 217,282     |

For details of the unaudited 2011 Preliminary Financial Information of our Group as well as our accompanying discussion and analysis, please refer to Appendix III of this prospectus.

---

## FUTURE PLANS AND USE OF PROCEEDS

---

### PROSPECTS

Looking forward and barring unforeseen circumstances, the Directors believe that the outlook for our business will remain positive, based on the following developments and trends:–

#### **Our market opportunity**

The development and advancement in technologies in construction materials, electronics/ semi-conductor, aerospace, oil, gas and marine, solar energy, automotive and precision machine tool engineering industries have resulted in new areas of applications, platforms and products. Usage and demand for these applications and products are expected to generate increasing demand for capital equipment used by our customers for the manufacturing of such products. This will generate a demand for our precision engineering solutions and machine tools such as CNC machining centres, and other related equipment.

Our Directors believe that the PRC will be a major contributor to our growth. The PRC is currently the world's fastest growing major economy and has been experiencing strong economic growth as evidenced by its consistent growth rates of between 5% to 15% over the past 30 years. The PRC's economic growth is expected to experience continuous and steady growth in the coming years. Our Directors believe that the PRC is one of the world's leading factory and production bases for all forms of manufacturing activities and continues to be one of the world's largest consumer of goods. In addition the PRC is the world market leader in the machine tools industry.

#### **Outlook for our business**

Due to the huge potential of the PRC domestic market, overseas companies are continuing to invest in the establishment of production bases in the PRC.

The rapid evolution of aircraft designs has created constant challenges for companies that manufacture aerospace components. We believe that this will generate greater demand for higher end CNC machining centres and machine tools.

Our Directors believe that the PRC is one of the major growing aviation markets in the world. Restructuring of the aviation sector began in 2002, when ten of the largest domestic airlines merged into three super-carriers – China Southern Airlines, China Eastern Airlines, and Air China, the country's *de facto* flag carrier.

Similarly, with the Singapore government's focus on developing the aviation manufacturing industry in Singapore since 2008, our Directors believe that there will be an increasing need of aviation manufacturers to procure and set up manufacturing facilities in Singapore. This may also result in the increase in demand for our products and services.

With respect to the oil and gas industries, there is an increasing demand for industrial players to increase their production capacity in Singapore. Our Company is well positioned to serve these customers.

---

## **FUTURE PLANS AND USE OF PROCEEDS**

---

On this basis, our Directors believe that this will result in continuing orders from our aviation customers in Singapore and the PRC and our oil, gas & marine customers in Singapore.

In line with the PRC government's plan to invest in its domestic infrastructure, our Directors believe that investment in infrastructure projects by the PRC government and the private sector will generate greater demand for cement production equipment in the PRC and hence there will be a continued demand for our products.

### **FUTURE PLANS**

Our vision is to establish ourselves as a leading provider of precision engineering solutions and machine tool manufacturer with quality products and services that consistently meet our clients' needs and expectations through operational excellence and innovation. In order to achieve this vision, we intend to implement the following plans:

#### **Increase in our sales and marketing efforts in industries with high growth potential**

We have customers which are engaged in industries with high growth potential, such as the aviation, oil, gas & marine, and automotive industries. We anticipate that demand for our products and services required to manufacture products within such industries will be increasing at a significant rate in the next few years. Our Group intends to increase its sales and marketing efforts to customers in those sectors, as well as to enhance our operational support, such as project management and after-sales technical support, by setting up additional technical support teams, particularly in the PRC.

In the construction materials business, our Directors intend to increase the sales and marketing efforts of Tianjin FeiSiTe in the PRC and internationally. In particular our Directors envisage our Group's cement production products and services extending to emerging markets such as India to capitalize upon their increasing demand for cement. This will involve the establishment of a sales and marketing office, and the establishment of a team of system integrators to support our Group's operations.

#### **Expansion of our production facilities and capacities in the PRC, and implementation of enterprise resource planning system**

In order to meet the anticipated increase in demand for our products and services in the PRC, Asia-Pacific region and Europe, we intend to expand further our existing production capacity and improve our production efficiency and productivity.

We intend to increase our manufacturing capacity by setting up new production facilities in Tianjin and relocating our production facilities in Shanghai to a larger site for our machine tool manufacturing business. We anticipate that approximately 80% of the monies set-aside for our production expansion will be applied for the purchase of new equipment. The specific equipment we intend to purchase will be determined by our business requirements going forward. The nature of the equipment we intend to purchase however can be broadly divided into two separate categories. Firstly, machining centres and measuring equipment, and secondly, equipment to be installed as fixtures at our two production

---

## **FUTURE PLANS AND USE OF PROCEEDS**

---

facilities. We estimate that the remaining 20% of the monies will be used to prepare both our Tianjin and Shanghai facilities in anticipation for such increased production capacity. We estimate that our expansion plan for both sites will commence in or around the second quarter of 2012, with an estimated completion date of in or around the third quarter of 2013. Once our expansion has been completed we estimate that both our Tianjin and Shanghai will double the production capacities.

We intend to improve our production efficiency and productivity by computerising our daily operational information flow through the implementation of an enterprise resource planning (ERP) system within our Singapore and PRC operations. Currently, we are relying on manual and localized software to perform such functions.

### **Expansion of our range of CNC machines**

Currently we design and manufacture CNC machining centres under an exclusive licence in the PRC granted by KIWA. These CNC machining centres are sold to customers in various industries, both within the PRC and internationally. In future, we plan to leverage our product development capabilities to maintain our competitive edge and to tap into potential growth markets by expanding the range of these CNC machines that we offer.

We intend to expand our sales team and appoint additional marketing agents to increase the promotion of our own brands in the PRC and the Asia Pacific region. We also intend to explore the possibility of forming strategic joint-ventures with suitable local partners in emerging markets such as India, Indonesia and Malaysia to produce CNC machining centres in these markets. The Directors envisage that such strategic collaborations will see our Group play the role of technology provider to these strategic alliances. In addition our Group intends to continue to carry a wide-range of accessory products, such as assemblies, components and parts to enable these joint-venture companies to provide complete precision engineering solutions for customers in these emerging markets.

### **Achievement of further growth through acquisitions, joint ventures and strategic alliances**

To further our growth, we intend to expand our capabilities and reach through acquisitions, joint ventures or strategic alliances with targeted companies that could provide synergies with our core businesses. These may include companies that manufacture products which we distribute and/or provide services similar to our Group. In addition to achieving economies of scale, such acquisitions, joint ventures and/or strategic alliances would expand our network of customers by increasing distribution channels. We believe that our status as a listed company will position us to take advantage of such opportunities when and as they arise. We will also be in a position to leverage our access to the equity market to raise funds for such growth and cater for such expansion. However, as at the Latest Practicable Date, our Group has not yet identified any suitable target business which it can achieve further growth through acquisitions, joint-ventures and/or strategic alliance.

As at the Latest Practicable Date, our Group has established a strategic collaboration with DMPG regarding the manufacturing of a series of CNC horizontal machining centres for the PRC market as well as emerging markets such as India and Brazil. In particular, we intend to capitalize upon the high economic growth in India by providing its products and services there. The collaboration

---

## FUTURE PLANS AND USE OF PROCEEDS

---

with DMPG will improve the technical know-how that our Group can offer our customers. Through acquisitions and strategic alliances, our Group intends to continue to improve our technology, and the products and services we can offer, by targeting certain established medium-sized high-tech machine tool companies in Europe that will be able to add value to our Group's operational ability.

### USE OF PROCEEDS

Our Company will not receive any proceeds from the sale of the Sale Shares by the Selling Shareholders in the Global Offering. All of the net proceeds from the sale of the Sale Shares by the Selling Shareholders in the Global Offering will be for the account of the Selling Shareholders.

We estimate that we will receive net proceeds from the Global Offering of approximately HK\$192.9 million (assuming the Over-allotment Option is not exercised and assuming an Offer Price of HK\$1.53 per Offer Share, being the mid-point of the indicative Offer Price range), after deducting the underwriting fees and estimated expenses payable by us in connection with the Global Offering.

We currently intend to apply these net proceeds for the following purposes:

- approximately 53.9%, or approximately HK\$104.0 million, will be applied to expand our production facilities and capacities in the PRC and for the implementation of enterprise resource planning (“ERP”) system. It is estimated that approximately HK\$94.5 million will be applied to enhance and increase the capacity of each of our production facilities in Shanghai and Tianjin and approximately HK\$9.45 million will be applied to implement the ERP system and the manufacturing system for our Group;
- approximately 21.5%, or approximately HK\$41.5 million, will be applied to achieve further growth through acquisitions, joint ventures and strategic alliances;
- approximately 8.2%, or approximately HK\$15.8 million, will be applied to expand the range of CNC machines that we design and manufacture which will include the setting up of overseas marketing and business representative offices in India and other parts of the Asia-Pacific region, including the provision of material support for customer service, which will cost approximately HK\$6.3 million. The development costs in respect of our new product range will cost approximately HK\$9.5 million;
- approximately 6.5%, or approximately HK\$12.6 million, will be applied to increase our sales and marketing efforts in industries with high growth potential. It is intended that approximately HK\$6.3 million will be applied to upgrade both our Shanghai and Tianjin offices, and expand our sales and marketing network in northern and western China. In addition, approximately HK\$6.3 million will be used to promote our Group's products and services through participation in trade missions, exhibitions and other related marketing and business development activities; and
- approximately 9.9%, or approximately HK\$19.0 million, will be applied for working capital and other general corporate purposes.



---

## FUTURE PLANS AND USE OF PROCEEDS

---

The additional net proceeds that we will receive if the Over-allotment Option is exercised in full will be approximately HK\$36.1 million (assuming the mid-point of the indicative Offer Price range of HK\$1.53 per Offer Share). Our Directors currently intend to apply such additional net proceeds in the manner and proportions stated above.

In the event that the Offer Price is set at the high-end of the indicative Offer Price range and the Over-allotment Option is not exercised at all, we will receive net proceeds of approximately HK\$221.9 million. The additional net proceeds will be applied in the manner and proportions stated above. In the event that the Offer Price is set at the high-end of the indicative Offer Price range and the Over-allotment Option is exercised in full, we will receive net proceeds of approximately HK\$262.7 million. The additional net proceeds will be applied in the manner and proportions stated above.

In the event that the Offer Price is set at the low-end of the indicative Offer Price range and the Over-allotment Option is not exercised at all, we will receive net proceeds of approximately HK\$163.8 million. Under such circumstances, the reduced net proceeds will be allocated in the manner and proportions stated above. As the amount of proceeds allocated for our expansion will be reduced accordingly, we intend to finance the shortfall by our internal resources and bank borrowings. In the event that the Offer Price is set at the low-end of the indicative Offer Price range and the Over-allotment Option is exercised in full, we will receive net proceeds of approximately HK\$195.2 million. We intend to use the additional net proceeds in the manner and proportions stated above.

Our intended use of proceeds as described above may change in light of our evolving business needs and conditions. Our business operations and the industry in which we operate could cause changes to our strategies and business plans. In the event that there is any change in our development plans, our Directors will carefully evaluate the situation and may reallocate the intended funds and hold any relevant funds on short-term deposit as our Directors consider to be in our interests and in the interests of our Shareholders as a whole.

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by the applicable laws and regulations, we intend to deposit the net proceeds into short-term demand deposits and/or money market instruments. We will issue an announcement if there is any material change in our intended use of proceeds as described above.

---

## UNDERWRITING

---

### UNDERWRITERS

#### Hong Kong Underwriters

##### Sole Lead Manager

Guotai Junan Securities (Hong Kong) Limited

##### Co-Manager

Ample Orient Capital Limited  
Astrum Capital Management Limited  
Ever-Long Securities Company Limited  
Hong Kong International Securities Limited  
Kingsway Financial Services Group Limited  
Oriental Patron Securities Limited  
South China Securities Limited

### UNDERWRITING ARRANGEMENTS AND EXPENSES

#### (a) Hong Kong Public Offering

##### *Hong Kong Underwriting Agreement*

Pursuant to the Hong Kong Underwriting Agreement, our Company is offering the Hong Kong Offer Shares for subscription by way of Hong Kong Public Offering on and subject to the terms and conditions of this prospectus and the related Application Forms.

Subject to, among other matters, the Listing Committee granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus (including any additional Offer Shares which may be made available pursuant to the exercise of the Over-allotment Option), and such approval and permission not having been subsequently revoked prior to 8:00 a.m. on the Listing Date and certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have severally agreed to apply or procure applications, on the terms and conditions of this prospectus and the related Application Forms, for the Hong Kong Offer Shares now being offered and which are not taken up under the Hong Kong Public Offering.

The Hong Kong Underwriting Agreement is conditional upon and subject to the International Underwriting Agreement having been signed and becoming unconditional.

---

## UNDERWRITING

---

### *Grounds for termination*

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination, if, at any time to 8:00 a.m. on the Listing Date:

- (a) there shall develop, occur or come into effect:
  - (i) any new law or regulation or change or development involving a prospective change in existing laws or regulations or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in Hong Kong, Singapore, Malaysia, the BVI, the PRC, Japan, the Cayman Islands or any other jurisdictions relevant to any member of our Group (the “Specific Jurisdictions”); or
  - (ii) any change or development involving a prospective change, or any event or series of events likely to result in any change or development involving a prospective change in Hong Kong, the PRC, Singapore, Malaysia, the US, Europe, the BVI, Cayman Islands, Asia, national, regional, international financial, political, military, industrial, fiscal, regulatory, economic, currency, exchange control, stock or other financial market conditions, prospects, circumstances or matters; or
  - (iii) any change or development involving a prospective change, or any event or series of events likely to result in any change or development involving a prospective change in the conditions of the Hong Kong or international securities markets (or in conditions affecting a sector only of such market) including, for the avoidance of doubt, any significant adverse change in the index level or volume of turnover of any such markets; or
  - (iv) without prejudice to sub-paragraph (ii) or (iii) above, the imposition of any moratorium, suspension or material fluctuations in trading prices of the securities generally traded on the Stock Exchange, the New York Stock Exchange, the NASDAQ National Market or any of the stock exchanges in China, a material fluctuation in the exchange rate of Hong Kong dollars against any foreign currency or any interruption in securities settlement or clearance service or procedures in Hong Kong or anywhere in the world); or
  - (v) a change or development occurs involving a prospective change taxation or currency exchange controls (or the implementation of any exchange control) in Hong Kong or any of the Specific Jurisdictions; or
  - (vi) the imposition of economic sanctions, withdrawal of trading privileges, embargo, restraint or prohibition of import and export, in whatever form, by the US or the European Union (or any member thereof) on Hong Kong or the PRC; or

---

## UNDERWRITING

---

- (vii) any investigation or litigation or claim being threatened or instituted against any Director or any member of our Group; or
- (viii) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lockout shall have occurred, happened or come into effect; or
- (ix) the imposition of economic sanctions, in whatever form, directly or indirectly, by or for the United States of America or by the European Union (or any member thereof) on Hong Kong or any of the Specific Jurisdictions; or
- (x) any change or development involving a prospective change, or an actual occurrence of, any of the risks set out in the section headed “Risk factors” in this prospectus; or
- (xi) a valid demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity; or
- (xii) any loss or damage sustained by any member of our Group (howsoever caused and whether or not the subject of any insurance or claim against any person); or
- (xiii) a petition is presented for winding-up or liquidation of any member of our Group or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurs in respect of any member of our Group; or
- (xiv) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary of Hong Kong and/or the Hong Kong Monetary Authority or other competent authority) or the PRC,

and any such event, in the sole opinion of the Sole Global Coordinator (acting for itself and on behalf of the Hong Kong Underwriters), is or will or could reasonably be expected to have a material adverse effect on the business, financial or other condition or prospects of our Group as a whole or in the case of paragraph (xi) above, to any present or prospective shareholder of our Company in his, her or its capacity as such; or has or will have or could reasonably be expected to have an adverse effect on the success, marketability or pricing of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering; or makes it inadvisable, inexpedient or impracticable for the Global Offering to proceed;

- (b) there comes to the notice of the Sole Global Coordinator (acting for itself and on behalf of the Hong Kong Underwriters) any matter or event showing any of the representations and warranties contained in the Hong Kong Underwriting

---

## UNDERWRITING

---

Agreement to be or maybe untrue or inaccurate in any material respect or, if repeated immediately after the occurrence thereof, would be untrue or inaccurate in any respect reasonably considered by the Sole Global Coordinator (acting for itself and on behalf of the Hong Kong Underwriters) to be material or showing any of the undertakings contained in the Hong Kong Underwriting Agreement or other obligations or undertakings expressed to be assumed by or imposed on our Company and our executive Directors under the Hong Kong Underwriting Agreement not to have been complied with in any respect considered by the Sole Global Coordinator (acting for itself and on behalf of the Hong Kong Underwriters) to be material; or

- (c) any statement contained in this prospectus, other reports, documents and legal opinions connected with the Global Offering or the application for listing of the Shares on the Stock Exchange has become or been discovered, alleged or suspected to be untrue, incorrect or misleading in any respect; or
- (d) matters have arisen or have been discovered or alleged which would, if this prospectus was to be issued at that time, constitute a material omission therefrom; or
- (e) there is any adverse change in the business or in the financial or trading position or prospects of any member of our Group which in the absolute opinion of the Sole Global Coordinator (acting for itself and on behalf of the Underwriters) is material in the context of the Global Offering.

### **(b) International Offering**

#### *International Underwriting Agreement*

In connection with the International Offering, our Company is expected to enter into the International Underwriting Agreement with, among others, the Selling Shareholders, the International Underwriters and the Sole Global Coordinator. Under the International Underwriting Agreement, the International Underwriters would, subject to certain conditions set out therein, severally agree to purchase the International Offer Shares being offered pursuant to the International Offering or procure purchasers for such International Offer Shares. The International Underwriting Agreement is conditional upon and subject to the Hong Kong Underwriting Agreement having been signed and becoming unconditional.

### **(c) Commission**

The Underwriters will receive a commission of 3.25% of the aggregate Offer Price payable for the Offer Shares, out of which the Underwriters will pay any sub-underwriting commission. For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, we will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the relevant International Underwriters. The Selling Shareholders will be responsible for the underwriting commissions attributable to the sale of the Sale Shares, on a pro-rata basis. The commission payable to the Underwriters, together with Stock Exchange listing fees and trading fee, SFC transaction levy, legal and other professional fees, printing and other expenses relating to the Global Offering are estimated to amount to approximately HK\$36.7 million in total (assuming the Over-allotment Option is not exercised and assuming an Offer Price of HK\$1.53 per Offer Share, being the mid-point of the indicative Offer Price range).

---

## UNDERWRITING

---

### **Underwriters' interests in our Company**

Save for its obligations under the Underwriting Agreement(s), none of the Underwriters has any shareholding interest in our Company or any member of our Group or has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for Shares or securities in any member of our Group.

### **Undertakings**

#### *Undertakings by the Controlling Shareholders and our Company*

Each of the Controlling Shareholders jointly and severally undertakes to and covenants with each of the Sole Sponsor, the Sole Global Coordinator, our Company and the Hong Kong Underwriters that:

- (i) without the prior written consent of the Sole Global Coordinator acting for itself and on behalf of the Hong Kong Underwriters in its sole and absolute discretion regardless of whether or not the Stock Exchange shall have consented thereto, he and it will not, and will procure that none of his or its associates (as defined in the Listing Rules) or companies controlled by him or it will, within the period of six months commencing from the Listing Date, dispose of (including without limitation by the creation of any option, charge or other encumbrance or rights over or in respect of) any of the Shares or any interests therein owned by him or it or in which he, or it is, directly or indirectly, interested immediately after the completion of the Global Offering and the Capitalization Issue (or any other shares or securities of or interest in our Company arising or deriving therefrom) or dispose of (including without limitation by the creation of any option, charge or other encumbrance or rights over or in respect of) any shares in any company controlled by him or it which is the beneficial owner of any of such Shares provided that the foregoing restriction shall not apply to any Shares which he or it or any of his or its associates (as defined in the Listing Rules) may acquire following the Listing Date;
- (ii) without the prior written consent of the Sole Global Coordinator acting for itself and on behalf of the Hong Kong Underwriters, within a further six months commencing on the expiry of the six-month period referred to in paragraph (i) above, he or it will not, and will procure that none of his or its associates (as defined in the Listing Rules) or the companies controlled by him or it will, dispose of (including without limitation by the creation of any option, charge or other encumbrance or rights over or in respect of) any Shares or any interests therein referred to in paragraph (i) above or dispose of (including without limitation by the creation of any option, charge or other encumbrance or rights over or in respect of) any shares in any company controlled by him or it which is the beneficial owner of such Shares if, immediately following such disposal, any of them, either individually or taken together with the others, would cease to be a controlling shareholder (within the meaning of the Listing Rules) of our Company or cease to hold a controlling interest (that is to say, an interest of over 30% or such lower amount as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer) in any of the companies controlled by him or it which owns any such Shares; and

---

## UNDERWRITING

---

- (iii) in the event of any disposal of Shares or any such interests referred to in paragraph (i) above after expiry of the six-month period referred to in paragraph (i) above, all reasonable steps will be taken to ensure that such disposal will not create a false or disorderly market in the Shares.

Our Company undertakes to and covenants with the Hong Kong Underwriters that, and each of our Controlling Shareholders and the executive Directors jointly and severally undertakes and covenants with the Hong Kong Underwriters to procure that, without the prior written consent of the Sole Global Coordinator (acting for itself and on behalf of the Hong Kong Underwriters) (such consent will not be the unreasonably withheld or delayed), our Company will not, save pursuant to the Global Offering, the Capitalization Issue, the grant of any option under the Share Option Scheme or the exercise of any option granted under the Share Option Scheme or any scrip dividend schemes or similar schemes providing for the allotment and issue of Shares in lieu of whole or part of a dividend in accordance with the articles of association (a) within the period of six months from the Listing Date, issue or agree to issue any shares or securities in our Company or any of its subsidiaries or grant or agree to grant any options, warrants or other rights carrying the rights to subscribe for, or otherwise convert into, or exchange for, any securities of our Company or any of its subsidiaries; and (b) within a further six months following the six-month period referred to in (a) above, issue or agree to issue any shares or securities in our Company or any of its subsidiaries or grant or agree to grant any options, warrants or other rights carrying the rights to subscribe for, or otherwise convert into or exchange for, any Shares or securities in our Company or any of its subsidiaries so as to result in our Controlling Shareholders, either taken individually or taken together, cease to be a controlling shareholder (within the meaning of the Listing Rules) of our Company or hold a controlling interest (that is to say, an interest of over 30% or such lower amount as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer) in any of the companies controlled by him or it which owns any Shares.

Each of our Company and our Controlling Shareholders undertakes to and covenants with each of the Sole Sponsor, the Sole Global Coordinator and the Hong Kong Underwriters that save with prior written consent of the Sole Global Coordinator (acting for itself and on behalf of the Hong Kong Underwriters) (such consent not to be unreasonably withheld or delayed), no company in our Group will within the period of six months from the Listing Date purchase any securities of our Company.

Each of our Controlling Shareholders undertakes and covenants with the Hong Kong Underwriters not to and shall procure that none of its associates or the companies controlled by him or it will, within the period of 12 months from the Listing Date, pledge, charge, encumber or create any third-party rights in respect of any of the Shares owned or held by any of them or the relevant company (whether directly or indirectly) save with the prior written consent of the Sole Global Coordinator (acting for itself and on behalf of the Hong Kong Underwriters).

Each of our Controlling Shareholders undertakes and covenants with our Company and the Hong Kong Underwriters that in the event that consent is granted by the Sole Global Coordinator pursuant to the paragraph above to pledge, charge, encumber or create any third-party rights in respect of any

---

## UNDERWRITING

---

of the Shares owned or held by any of them or the relevant company (whether directly or indirectly), it/he shall:

- (i) immediately inform our Company, the Sole Global Coordinator (acting for itself and on behalf of the Hong Kong Underwriters) and the Stock Exchange details of such arrangement in writing prior to entering into such arrangement; and
- (ii) immediately inform our Company, the Sole Global Coordinator (acting for itself and on behalf of the Hong Kong Underwriters) and the Stock Exchange when it/he receives indications, either verbal or written, from the relevant pledgee or chargee that it shall enforce right in respect of any of the pledged or charged Shares.

Our Company undertakes and covenants with the Hong Kong Underwriters that our Company shall forthwith inform the Sole Global Coordinator (acting for itself and on behalf of the Hong Kong Underwriters) and the Stock Exchange in writing immediately after it has been informed of the matters referred to in paragraphs (i) and (ii) above and our Company shall, if so required by the Stock Exchange or the Listing Rules, disclose such matters by way of an announcement and shall comply with all requirements of the Stock Exchange.

### *Undertakings by the Selling Shareholders*

Each of the Selling Shareholders respectively undertakes to and covenants with each of the Sole Sponsor, the Sole Global Coordinator and our Company that without the prior written consent of the Sole Global Coordinator in its sole and absolute discretion, it/he:

- (i) will not, and will procure that none of its/his associates (as defined in the Listing Rules) or companies controlled by it/him will, within the period of six months commencing from the Listing Date (the “Lockup Period”), dispose of (including without limitation by creation of any option, charge or other encumbrance or rights over or in respect of) any of the Shares or any interests therein owned by it/him or in which it/he is, directly or indirectly, interested immediately after the completion of the Global Offering and the Capitalization Issue (or any other Shares or securities of or interest in our Company arising or deriving therefrom) (the “Locked Shares”) or dispose of (including without limitation by the creation of any option, charge or other encumbrance or rights over or in respect of) any shares in any company controlled by it/him which is the beneficial owner of any of such Locked Shares; and
- (ii) will procure the transferee(s) of any of the Locked Shares to provide the same undertaking as in (i) above in favour of the Sole Sponsor, the Sole Global Coordinator and our Company for the remaining of the Lockup Period before the completion of the transfer of any of the Locked Shares as consented by the Sole Global Coordinator as aforesaid.



---

## UNDERWRITING

---

*Undertakings by Mr. Fu, Mr. Tay, World Leap Corporation, Charter Field Enterprises Limited, and Septwolves Group (Asia) Investments Limited*

Each of Mr. Fu, Mr. Tay, World Leap Corporation, Charter Field Enterprises Limited, and Septwolves Group (Asia) Investments Limited respectively undertakes to and covenants with each of the Sole Sponsor, the Sole Global Coordinator and our Company that without the prior written consent of the Sole Global Coordinator in its sole and absolute discretion, he/it will not, and will procure that none of his associates (as defined in the Listing Rules) or companies controlled by him will, within the period of six months commencing from the Listing Date (the “Lockup Period”), dispose of (including without limitation by creation of any option, charge or other encumbrance or rights over or in respect of) any of the Shares or any interests therein owned by him/it or in which he/it is, directly or indirectly, interested immediately after the completion of the Global Offering and the Capitalization Issue (or any other Shares or securities of or interest in our Company arising or deriving therefrom) (the “Locked Shares”) or dispose of (including without limitation by the creation of any option, charge or other encumbrance or rights over or in respect of) any shares in any company controlled by him/it which is the beneficial owner of any of such Locked Shares except, in the case of Mr. Tay, the stock borrowing arrangement with the Sole Global Coordinator.

---

## STRUCTURE OF THE GLOBAL OFFERING

---

### DETERMINING THE OFFER PRICE

The Offer Price is expected to be fixed by the Price Determination Agreement to be entered into between the Sole Global Coordinator, acting for itself and on behalf of the Underwriters, and our Company (for ourselves and on behalf of all the Selling Shareholders) on or around the Price Determination Date, which is currently scheduled on Friday, 23 March 2012 and in any event no later than Monday, 26 March 2012 at 6:00 p.m. (Hong Kong time). **If the Sole Global Coordinator (acting for itself and on behalf of the Underwriters) and our Company (acting for ourselves and on behalf of all the Selling Shareholders) are unable to reach an agreement on the Offer Price by 6:00 p.m. (Hong Kong time) on Monday, 26 March 2012, the Global Offering will not become unconditional and will lapse.**

**Prospective investors should be aware that the Offer Price to be determined on or before the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range as stated in this prospectus.** The Offer Price will not be more than HK\$1.73 per Offer Share and is expected to be not less than HK\$1.33 per Offer Share.

The Offer Price will fall within the Offer Price range as stated in this prospectus unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering.

The Sole Global Coordinator, acting for itself and on behalf of the Underwriters, may, where considered appropriate, based on the level of interests expressed by prospective professional, institutional and other investors during a book-building process, and with the consent of our Company (acting for ourselves and on behalf of all the Selling Shareholders), reduce the indicative Offer Price range below that stated in this prospectus at any time no later than the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, the Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause to be published in The Standard (in English) and Hong Kong Economic Journal (in Chinese) notice of such a change. Upon issue of such a notice, the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon with our Company (acting for ourselves and on behalf of all the Selling Shareholders), will be fixed within such revised Offer Price range. Such notice will also include confirmation or revision, as appropriate, of the working capital statement, the Global Offering statistics as currently set out in the section headed "Summary" in this prospectus, and any other financial information which may change as a result of such reduction. **If applications for the Hong Kong Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Hong Kong Public Offering, then even if the Offer Price range is so reduced, such applications cannot be subsequently withdrawn.** In the absence of any notice being published in The Standard (in English) and Hong Kong Economic Journal (in Chinese) of a reduction in the indicative Offer Price range as stated in this prospectus on or before the morning of the last day for lodging applications under the Hong Kong Public Offering, the Offer Price, if agreed upon with our Company (acting for ourselves and on behalf of all the Selling Shareholders), will under no circumstances be set outside the Offer Price range as stated in this prospectus.

The Company expects to announce the final Offer Price, the level of indication of interests under the International Offering, the results of the Hong Kong Public Offering and the basis of allotment of the Hong Kong Offer Shares under the Hong Kong Public Offering on or before Wednesday, 28 March 2012 in The Standard (in English) and Hong Kong Economic Journal (in Chinese) and on the website of the Company at **www.cwgroup-int.com** and the website of the Stock Exchange at **www.hkexnews.hk**.

---

## STRUCTURE OF THE GLOBAL OFFERING

---

### CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for the Offer Shares is conditional upon, among others, the satisfaction of all of the following conditions:

- (i) the Listing Committee granting the approval of the listing of, and permission to deal in, the Shares in issue and the Shares to be issued pursuant to the Global Offering and Shares which fall to be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme (and such listing and permission not subsequently being revoked prior to the commencement of dealings in the Shares on the Stock Exchange);
- (ii) the Offer Price having been duly determined and the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and
- (iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including the waiver of any condition(s) by the Sole Global Coordinator, acting for itself and on behalf of the Underwriters) and not having terminated in accordance with the terms of that agreement or otherwise,

in each case on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date which is 30 days after the date of this prospectus.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived, prior to the dates and times specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be caused to be published by the Company in The Standard (in English), Hong Kong Economic Journal (in Chinese) and the respective websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.cwgroup-int.com](http://www.cwgroup-int.com)) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in “How to Apply for the Hong Kong Offer Shares” in this prospectus. In the meantime, the application monies will be held in separate bank account(s) with the receiving banker or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the laws of Hong Kong) (as amended).

**Share certificates for the Hong Kong Offer Shares are expected to be issued on Wednesday, 28 March 2012 but will only become valid certificates of title at 8:00 a.m. (Hong Kong time) on the Listing Date, which is expected to be Thursday, 29 March 2012, provided that (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in the section headed “Underwriting – Underwriting Arrangements and Expenses – (a) Hong Kong Public Offering – Grounds for termination” in this prospectus has not been exercised.**

---

## STRUCTURE OF THE GLOBAL OFFERING

---

### THE GLOBAL OFFERING

The Global Offering comprises the International Offering and the Hong Kong Public Offering. A total of 162,500,000 Shares will initially be made available under the Global Offering, of which 146,200,000 Shares, representing approximately 90% of the total number of Shares initially being offered under the Global Offering, will initially be offered for subscription or purchase under the International Offering. The remaining 16,300,000 Shares, representing approximately 10% of the total number of Shares initially being offered under the Global Offering, will initially be offered to the public in Hong Kong under the Hong Kong Public Offering. The Hong Kong Public Offering is open to all members of the public in Hong Kong as well as to institutional and professional investors. The number of Shares offered for subscription or purchase under the Global Offering will be subject to re-allocation on the basis described below. No pre-emption right or right to subscribe for the Offer Shares has been granted.

Applicants may apply for the Hong Kong Offer Shares under the Hong Kong Public Offering or indicate an interest for the International Offer Shares under the International Offering, but the applicants may not apply in both offerings for the Offer Shares. In other words, the applicants may only apply for and receive either Hong Kong Offer Shares under the Hong Kong Public Offering or International Offer Shares under the International Offering, but not under both offerings. The International Offer Shares, will be placed with professional and institutional investors in Hong Kong, Singapore, Japan, United Kingdom, other places in Europe and other jurisdictions outside the United States in offshore transactions, as defined in, and in reliance on, Regulation S.

The levels of indication of interest in the International Offering and the basis of allotment and the result of application under the Hong Kong Public Offering are expected to be announced on or before Wednesday, 28 March 2012 through a variety of channels as described in the section headed “How to Apply for the Hong Kong Offer Shares” in this prospectus.

### The International Offering

Our Company and the Selling Shareholders are initially offering, at the Offer Price, 133,700,000 new Shares and 12,500,000 Sale Shares respectively, totalling 146,200,000 Shares (subject to reallocation and the Over-allotment Option as mentioned in the paragraphs headed “Re-allocation of Offer Shares between the Hong Kong Public Offering and the International Offering” and “Over-allotment Option” below respectively), representing approximately 90% in aggregate of the total number of Shares being initially offered under the Global Offering, for subscription or purchase by way of the International Offering. The International Offering is managed by the Sole Global Coordinator and is expected to be fully underwritten by the International Underwriters subject to the terms and conditions of the International Underwriting Agreement including the agreement on the Offer Price. The International Underwriters are soliciting from prospective professional and institutional investors indications of interest in acquiring International Offer Shares in the International Offering. Professional and institutional investors generally include brokers, dealers, companies and fund managers, whose ordinary businesses involve dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Prospective professional and institutional investors will be required to specify the number of the International Offer Shares they would be prepared to acquire either at different prices or at a particular price. This process is known as “book building”. In Hong Kong, individual

---

## STRUCTURE OF THE GLOBAL OFFERING

---

retail investors should apply for the Hong Kong Offer Shares in the Hong Kong Public Offering, as individual retail investors, including those applying through banks and other institutions, applying for the Offer Shares in the International Offering are unlikely to be allocated any International Offer Shares.

Allocation of the International Offer Shares to professional, institutional and private investors pursuant to the International Offering will be based on a number of factors, including the level and timing of demand and whether or not it is expected that the investor is likely to purchase further Shares, or hold or sell the Shares placed, after the Listing. Such allocation is intended to result in a distribution of the International Offer Shares on the basis which would lead to the establishment of a solid broad shareholder base to the benefit of our Company and its Shareholders taken as a whole. If the Hong Kong Public Offering is not fully subscribed, the Sole Global Coordinator may reallocate all or any unsubscribed Shares originally included in the Hong Kong Public Offering to the International Offering.

The International Underwriters or selling agent nominated by the International Underwriters shall, on behalf of the Company and the Selling Shareholders, conditionally place the International Offer Shares with professional and institutional investor in Hong Kong, Singapore, Japan, United Kingdom and other places in Europe and other jurisdictions outside the United States in offshore transactions as defined in, and in reliance on, Regulation S. The International Offering of the International Offer Shares shall be subject to the Global Offering restrictions set out under the section headed “Information about this prospectus and the Global Offering”.

The International Offering is conditional on the same conditions as set out in the paragraph “Conditions of the Global Offering” above. The total number of International Offer Shares to be allotted and issued pursuant to the International Offering may change as a result of the clawback arrangement referred to in the paragraph headed “The Hong Kong Public Offering” below and any reallocation of unsubscribed Shares originally included in the Hong Kong Public Offering.

### **The Hong Kong Public Offering**

The Company is initially offering, at the Offer Price, 16,300,000 new Shares (subject to re-allocation as mentioned in the paragraph headed “Re-allocation of Offer Shares between the Hong Kong Public Offering and the International Offering” below), representing approximately 10% of the total number of Shares being initially offered under the Global Offering, for subscription by way of a public offer in Hong Kong. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters subject to the terms and conditions of the Hong Kong Underwriting Agreement including the agreement on the Offer Price.

The Hong Kong Public Offering is open to all members of the public in Hong Kong. An applicant for Hong Kong Offer Shares will be required to give an undertaking and confirmation in the application form submitted by him/her that he/she has not applied for or taken up or received any International Offer Shares or indicated an interest for the International Offer Shares or otherwise participated in the International Offering. Applicants should note that if such undertaking and/or confirmation given by the applicant is breached and/or is untrue (as the case may be), such applicant’s application under the Hong Kong Public Offering is liable to be rejected.

---

## STRUCTURE OF THE GLOBAL OFFERING

---

The total number of the Offer Shares available for subscription under the Hong Kong Public Offering is to be divided into two pools for allocation purposes:

- Pool A: The Hong Kong Offer Shares in Pool A will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares with an aggregate subscription price of HK\$5 million (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy payable) or less; and
- Pool B: The Hong Kong Offer Shares in Pool B will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares with an aggregate subscription price of more than HK\$5 million (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy payable) and up to the value of pool B.

Investors should be aware that the allocation ratios for applications in the two pools, as well as the allocation ratios for applications in the same pool, are likely to be different. Where one of the pools is undersubscribed, the surplus Hong Kong Offer Shares will be transferred to satisfy demand in the other pool and be allocated accordingly.

Applicants can only receive an allocation of Hong Kong Offer Shares from any one pool but not from both pools and can only make applications to either pool A or pool B. Multiple applications or suspected multiple applications and any application made for more than 50% of the Hong Kong Offer Shares initially available under pool A or pool B will be rejected.

The Company, the Directors, the Sole Sponsor, the Sole Global Coordinator and the Hong Kong Underwriters will take reasonable steps to identify and reject applications under the Hong Kong Public Offering from investors who have received the International Offer Shares in the International Offering, and to identify and reject indications of interest in the International Offering from investors who have received the Hong Kong Offer Shares in the Hong Kong Public Offering.

The Sole Global Coordinator (acting for itself and on behalf of the Underwriters) may require any investor who has been offered the International Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Sole Global Coordinator so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for the Hong Kong Offer Shares under the Hong Kong Public Offering.

Allocation of the Hong Kong Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level and timing of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of the Hong Kong Offer Shares validly applied for by each applicant. When there is over subscription under the Hong Kong Public Offering, allocation of the Hong Kong Offer Shares may involve balloting, which would mean that some applicants may be allotted more Hong Kong Offer Shares than others who have applied for the same number of the Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

---

## STRUCTURE OF THE GLOBAL OFFERING

---

### RE-ALLOCATION OF OFFER SHARES BETWEEN THE HONG KONG PUBLIC OFFERING AND THE INTERNATIONAL OFFERING

The allocation of Offer Shares between the Global Offering is subject to re-allocation. If the number of Shares validly applied for in the Hong Kong Public Offering:

- (a) represents 15 times or more but less than 50 times of the number of Shares initially available for subscription under the Hong Kong Public Offering, then 32,500,000 Shares will be re-allocated to the Hong Kong Public Offering from the International Offering, so that an aggregate of 48,800,000 Shares will be available under the Hong Kong Public Offering, representing approximately 30% of the Offer Shares initially available under the Global Offering;
- (b) represents 50 times or more but less than 100 times of the number of Shares initially available for subscription under the Hong Kong Public Offering, then 48,700,000 Shares will be re-allocated to the Hong Kong Public Offering from the International Offering, so that an aggregate of 65,000,000 Shares will be available under the Hong Kong Public Offering, representing approximately 40% of the Offer Shares initially available under the Global Offering; and
- (c) represents 100 times or more of the number of Shares initially available for subscription under the Hong Kong Public Offering, then 65,000,000 Shares will be re-allocated to the Hong Kong Public Offering from the International Offering, so that an aggregate of 81,300,000 Shares will be available under the Hong Kong Public Offering, representing approximately 50% of the Offer Shares initially available under the Global Offering.

In each of the above cases, the additional Shares re-allocated to the Hong Kong Public Offering will be allocated equally between pool A and pool B and the number of Shares allocated to the International Offering will be correspondingly reduced. If the Hong Kong Public Offering is not fully subscribed, the Sole Global Coordinator (acting for itself and on behalf of the Underwriters) has the absolute discretion to re-allocate all or any of the unsubscribed Shares originally included in the Hong Kong Public Offering to the International Offering.

Guotai Junan Securities (Hong Kong) Limited is the Sole Global Coordinator, the Sole Bookrunner and the Sole Lead Manager of the Hong Kong Public Offering which is underwritten at the Offer Price by the Hong Kong Underwriters, on and subject to the terms and conditions of the Hong Kong Underwriting Agreement.

### OVER-ALLOTMENT OPTION

In connection with the Global Offering, we are expected to grant the Over-allotment Option to the International Underwriters, exercisable by the Sole Global Coordinator for itself and on behalf of the International Underwriters.



---

## STRUCTURE OF THE GLOBAL OFFERING

---

Pursuant to the Over-allotment Option, the International Underwriters have the right, exercisable by the Sole Global Coordinator (acting for itself and on behalf of the International Underwriters) within 30 days from the last day for lodging of applications under the Hong Kong Public Offering (the last day for the exercise of the Over-allotment Option being Saturday, 21 April 2012), to require our Company to allot and issue up to 24,375,000 additional Offer Shares representing approximately 15% of the initial Offer Shares, each at the Offer Price, to, among other things, cover over-allocations in the International Offering, if any. If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 3.80% of our enlarged issued share capital immediately following completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, an announcement will be made.

### STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to slow and, if possible, prevent a decline in the market price of the securities below the offer price. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the initial public offer price.

In connection with the Global Offering, the Sole Global Coordinator or any person acting for it may, on behalf of the International Underwriters, and to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect transactions with a view to stabilizing or maintaining the market price of our Shares at a level higher than that which might otherwise prevail for a limited period after the commencement of trading in the Shares on the Stock Exchange. Such transactions may be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Sole Global Coordinator or any person acting for it to do this. Such stabilization, if commenced, will be conducted at the absolute discretion of the Sole Global Coordinator or any person acting for it and may be discontinued at any time, and must be brought to an end after a limited period.

The Sole Global Coordinator or any person acting for it may take all or any of the following stabilizing actions in Hong Kong during the stabilization period:

- (i) purchase, or agree to purchase, any of the Offer Shares or offer or attempt to do so for the sole purpose of preventing or minimizing any reduction in the market price of the Offer Shares;
- (ii) in connection with any action described in paragraph (i) above;
  - (A) (1) over-allocate the Offer Shares; or
  - (2) sell or agree to sell the Offer Shares so as to establish a short position in them, for the sole purpose of preventing or minimizing any reduction in the market price of the Offer Shares;



---

## STRUCTURE OF THE GLOBAL OFFERING

---

- (B) exercise the Over-allotment Option and purchase or subscribe for or agree to purchase or subscribe for the Offer Shares in order to close out any position established under paragraph (A) above;
- (C) sell or agree to sell any of the Offer Shares acquired by it in the course of the stabilizing action referred to in paragraph (i) above in order to liquidate any position that has been established by such action; or
- (D) offer or attempt to do anything as described in paragraphs (ii)(A)(2), (ii)(B) or (ii)(C) above.

The Sole Global Coordinator or any person acting for it may, in connection with the stabilizing action, maintain a long position in the Offer Shares, and there is no certainty as to the extent to which and the time period for which it will maintain such a position. Investors should be warned of the possible impact of any liquidation of the long position by the Sole Global Coordinator or any person acting for it and selling in the open market, which may include a decline in the market price of the Offer Shares.

Stabilization cannot be used to support the price of the Offer Shares for longer than the stabilization period, which begins on the day on which trading of the Offer Shares commences on the Stock Exchange and ends on the 30th day after the last day for lodging of applications under the Hong Kong Public Offering. The stabilization period is expected to expire on Saturday, 21 April 2012. After this date, when no further stabilizing action may be taken, demand for the Shares, and therefore their market price, could fall.

Any stabilizing action taken by the Sole Global Coordinator or any person acting for it, may not necessarily result in the market price of the Shares staying at or above the Offer Price either during or after the stabilization period. Stabilizing bids or market purchases affected in the course of the stabilization action may be made at any price at or below the Offer Price and can therefore be done at a price below the price the investor has paid in acquiring the Offer Shares.

In connection with the Global Offering, the Sole Global Coordinator may over-allocate up to and not more than an aggregate of 24,375,000 additional Shares, representing approximately 15% of the Offer Shares initially available under the Global Offering, and cover such over-allocations by exercising the Over-allotment Option or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means. In particular, for the purpose of covering such over-allocations, the Sole Global Coordinator may borrow up to 24,375,000 Shares from Mr. Tay, equivalent to the maximum number of Shares to be issued on a full exercise of the Over-allotment Option, under a stock borrowing agreement.

---

## STRUCTURE OF THE GLOBAL OFFERING

---

### STOCK BORROWING

In order to facilitate settlement of over-allocations in connection with the International Offering, a Stock Borrowing Agreement has been entered into between the Sole Global Coordinator and Mr. Tay in compliance with Rule 10.07(3) of the Listing Rules. Under the Stock Borrowing Agreement, Mr. Tay has agreed with the Sole Global Coordinator that if requested by the Sole Global Coordinator, he will, subject to the terms of the Stock Borrowing Agreement, make available to the Sole Global Coordinator up to 24,375,000 Shares held by him, by way of stock lending, in order to cover over-allocations in connection with the International Offering on the conditions that:

- (i) such stock borrowing arrangement will only be effected by the Sole Global Coordinator for settlement of over-allocations of Shares in connection with the International Offering;
- (ii) the maximum number of Shares which must be borrowed from Mr. Tay by the Sole Global Coordinator under the Stock Borrowing Agreement must not exceed the maximum number of Shares which may be issued upon the full exercise of the Over-allotment Option;
- (iii) the same number of Shares so borrowed must be returned to Mr. Tay or his nominees, as the case may be, on or before the third business day following the earlier of:
  - (a) the last day on which the Over-allotment Option may be exercised; or
  - (b) the day on which the Over-allotment is exercised in full;
- (iv) the stock borrowing arrangement under the Stock Borrowing Agreement will be effected in compliance with all applicable laws and regulatory requirements; and
- (v) no payments or other benefits will be made to Mr. Tay by the Sole Global Coordinator or any of the International Underwriters in relation to such stock borrowing arrangement.

---

## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

---

### METHODS OF APPLYING FOR THE HONG KONG OFFER SHARES

You may apply for the Hong Kong Offer Shares by using one of the following methods:

- using a **WHITE** or **YELLOW** Application Form;
- applying through the HK eIPO White Form service by submitting an electronic application to the HK eIPO White Form Service Provider through the designated website at **www.hkeipo.hk**; or
- giving electronic application instructions to HKSCC to cause HKSCC Nominees to apply for the Hong Kong Offer Shares on your behalf.

### WHICH APPLICATION FORM TO USE

- Use a **WHITE** Application Form or the HK eIPO White Form service if you want the Hong Kong Offer Shares to be issued in your own name.
- Use a **YELLOW** Application Form if you want the Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant.
- Instead of using a **YELLOW** Application Form, you may electronically instruct HKSCC to cause HKSCC Nominees to apply for Hong Kong Offer Shares on your behalf via CCASS. Any Hong Kong Offer Shares allocated to you will be registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.

**You may not apply both on WHITE or YELLOW Application Form and give electronic application instructions to HKSCC or to the designated HK eIPO White Form Service Provider through the HK eIPO White Form service (www.hkeipo.hk).**

*Note:* Except in the circumstances permitted under the Listing Rules, the Offer Shares are not available to the Directors or chief executive or officer the Company or any of its subsidiaries, the existing beneficial owners of the Shares and the associates of any of them.

---

## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

---

### WHERE TO COLLECT THE APPLICATION FORMS

Copies of this prospectus, together with the **WHITE** Application Forms, may be obtained during normal business hours from 9:00 a.m. on Tuesday, 20 March 2012 until 12:00 noon on Friday, 23 March 2012 from:

- 1. Guotai Junan Securities (Hong Kong) Limited**  
27th Floor, Low Block  
Grand Millennium Plaza  
181 Queen's Road Central  
Hong Kong
  
- 2. Ample Orient Capital Limited**  
Unit A, 14/F, Two Chinachem Plaza  
135 Des Voeux Road Central  
Hong Kong
  
- 3. Astrum Capital Management Limited**  
Room 1807, West Tower  
Shun Tak Centre  
168 Connaught Road Central, Hong Kong
  
- 4. Ever-Long Securities Company Limited**  
18th Floor, Dah Sing Life Building  
99-105 Des Voeux Road Central, Hong Kong
  
- 5. Hong Kong International Securities Limited**  
23rd Floor Arion Commercial Centre  
2-12 Queen's Road West, Hong Kong
  
- 6. Kingsway Financial Services Group Limited**  
5/F, Hutchison House, 10 Harcourt Road  
Central, Hong Kong
  
- 7. Oriental Patron Securities Limited**  
27/F, Two Exchange Square  
8 Connaught Place, Central, Hong Kong
  
- 8. South China Securities Limited**  
28/F, Bank of China Tower, 1 Garden Road  
Central, Hong Kong

---

## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

---

or any of the following branches of Standard Chartered Bank (Hong Kong) Limited:

| District          | Branch                     | Address   |
|-------------------|----------------------------|---|
| Hong Kong Island: | Des Voeux Road Branch      | Standard Chartered Bank Building, 4-4A,<br>Des Voeux Road Central, Central            |
|                   | Hennessy Road Branch       | 399 Hennessy Road, Wanchai  |
|                   | Quarry Bay Branch          | G/F, Westlands Gardens, 1027 King's Road, Quarry Bay                                  |
| Kowloon:          | Kwun Tong Hoi Yuen Road    | G/F, Fook Cheong Building, No. 63 Hoi Yuen Road,<br>Kwun Tong, Kowloon                |
|                   | Tsimshatsui Branch         | G/F, 10 Granville Road, Tsimshatsui   |
|                   | Mei Foo Stage I Branch     | G/F, 1C Broadway, Mei Foo Sun Chuen Stage I,<br>Lai Chi Kok                           |
|                   | 68 Nathan Road Branch      | Basement, Shop B1, G/F Golden Crown Court,<br>66-70 Nathan Road, Tsimshatsui          |
| New Territories:  | Tuen Mun Town Plaza Branch | Shop No. G047 – G052, Tuen Mun Town Plaza Phase I,<br>Tuen Mun                        |
|                   | New Town Plaza Branch      | Shop 215, 222 & 223, Phase 1, New Town Plaza, Shatin                                  |
|                   | Tseung Kwan O Branch       | Shop G37-40, G/F, Hau Tak Shopping Centre East Wing,<br>Hau Tak Estate, Tseung Kwan O |

The **YELLOW** Application Forms, together with copies of this prospectus, may be obtained during normal business hours from 9:00 a.m. on Tuesday, 20 March 2012 until 12:00 noon on Friday, 23 March 2012 at the Depository Counter of HKSCC located at 2nd Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong. Your stockbroker may also have the **YELLOW** Application Forms and this prospectus available.

### WHO CAN APPLY FOR HONG KONG OFFER SHARES

- (a) You, the applicant(s), and any person(s) for whose benefit you are applying, must be 18 years of age or older and must have a Hong Kong address.
- (b) If you are a firm, the application must be in the names of the individual members, not in the name of the firm. The number of joint applicants may not exceed four.
- (c) If you are a body corporate, the application must be stamped with the company chop (bearing the company name) and signed by a duly authorized officer, who must state his representative capacity.
- (d) Save under the circumstances permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are or any person(s) for whose benefit you are applying are/is:
  - an existing beneficial owner of the Shares or any of our Company's subsidiaries;

---

## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

---

- the chief executive officer or a director of our Company or any of its subsidiaries;
  - a connected person (as defined in the Listing Rules) of our Company or any of its subsidiaries or a person who will become a connected person of our Company or any of its subsidiaries immediately upon completion of the Global Offering and the Capitalization Issue;
  - an associate of any of the above;
  - have been allocated or have applied for the International Offer Shares under the International Offering; or
  - otherwise participated in the International Offering or indicated an interest for the International Offer Shares.
- (e) You cannot apply for any Hong Kong Offer Shares if you are or any person(s) for whose benefit you are applying are/is:
- a legal or natural person of the PRC (except qualified domestic institutional investors);
  - within the United States or a United States person (as defined in Regulation S under the Securities Act); or
  - a person who does not have a Hong Kong address.

### HOW TO COMPLETE THE APPLICATION FORMS

There are detailed instructions on each Application Form. You should read those instructions carefully. If you do not follow the instructions, your application may be rejected and returned by ordinary post together with the accompanying cheque or banker's cashier order to you (or the first-named applicant in the case of joint applicants) at your own risk to the address stated in the Application Form.

If your application is made through a duly authorized attorney, our Company and the Sole Global Coordinator, the Sole Bookrunner and the Sole Lead Manager (or their respective agents and nominees) may accept it at their respective discretion, and subject to any conditions as any of them may think fit, including evidence of the authority of your attorney.

---

## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

---

### EFFECT OF COMPLETING AND SUBMITTING THE APPLICATION FORM

By completing and submitting the Application Form, you (and if you are joint applicants, each of you jointly and severally) for yourself or as agent or nominee and on behalf of each person for whom you act as agent or nominee:

- **instruct** and **authorize** our Company and/or the Sole Global Coordinator (or their respective agents or nominees) to execute any transfer forms, contract notes or other documents on your behalf and to do on your behalf all things necessary to effect the registration of any Hong Kong Offer Shares allocated to you in your name(s) or in the name of HKSCC Nominees, as the case may be, as required by the Articles, and otherwise to give effect to the arrangements described in this prospectus and the Application Form;
- **undertake** to sign all documents and to do all things necessary to enable you or HKSCC Nominees, as the case may be, to be registered as the holder of the Hong Kong Offer Shares allocated to you, and as required by the Articles;
- **warrant** the truth and accuracy of the information contained in your application;
- if the laws of any place outside Hong Kong are applicable to your application, you **agree** and **warrant** that you have complied with all such laws and none of our Company, the Directors, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner and the Sole Lead Manager, the Hong Kong Underwriters nor any of their respective officers, employees or advisers will infringe any laws outside Hong Kong as a result of the acceptance of your offer to purchase, or any actions arising from your rights and obligations under the terms and conditions contained in the Application Form and in this prospectus;
- **confirm** that you have received and/or read a copy of this prospectus and have only relied on the information and representations contained in this prospectus in making your application, and will not rely on any other information or representations concerning our Company save as set out in any supplement to this prospectus;
- **agree** (without prejudice to any other rights which you may have) that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (if the application is made for your own benefit) **warrant** that this is the only application which will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions to HKSCC via CCASS** or to the designated **HK eIPO White Form Service Provider via HK eIPO White Form (www.hkeipo.hk)**;
- (if you are an agent for another person) **warrant** that this is the only application which will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions to HKSCC via CCASS** or to the designated **HK eIPO White Form Service Provider via HK eIPO White Form (www.hkeipo.hk)**, and that you are duly authorised to sign the Application Form as that other person's agent;

---

## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

---

- **undertake and confirm** that you (if the application is made for your benefit) or the person(s) for whose benefit you have made the application have not applied for or taken up or indicated an interest in or received or been placed or allocated (including conditionally and/or provisionally) and will not apply for or take up or indicate any interest in any International Offer Shares in the International Offering, nor otherwise participate in the International Offering;
- **agree** that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;
- **represent, warrant and undertake** that the Hong Kong Offer Shares have not been and will not be registered under the Securities Act and you are outside the US when completing and submitting the Application Form and are not and none of the other person(s) for whose benefit you are applying, is a US person (as defined in Regulation S under the Securities Act);
- **agree** to disclose to our Company, its Hong Kong branch share registrar, the receiving banker, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner and the Sole Lead Manager and the Hong Kong Underwriters and their respective officers, advisers and agents any personal data or information which they require about you or the person(s) for whose benefit you have made the application;
- **agree** with our Company and each Shareholder of our Company, and our Company agrees with each Shareholder, to observe and comply with the Companies Ordinance, the memorandum of association of our Company and the Articles;
- **(if the application is made by an agent on your behalf) warrant** that you have validly and irrevocably conferred on your agent all necessary power and authority to make the application;
- **undertake and agree** to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;
- **authorize** our Company to place your name(s) or the name of HKSCC Nominees, as the case may be, on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or our Company's agents to send any share certificate(s) (where applicable) and/or any refund cheque (if any) to you or (in case of joint applicants) the first-named applicant in the Application Form by ordinary post at your own risk to the address stated on the Application Form (unless you have applied for 1,000,000 Hong Kong Offer Shares or more and have indicated in the Application Form your wish to collect your refund cheque (if any) and/or share certificates (where applicable) in person between 9:00 a.m. and 1:00 p.m. on Wednesday, 28 March 2012 from Tricor Investor Services Limited);
- **understand** that these declarations and representations will be relied upon by our Company, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner and the Sole Lead Manager and the Hong Kong Underwriters in deciding whether or not to allocate any Hong Kong Offer Shares in response to your application;



---

## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

---

- **agree** that our Company, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner and the Sole Lead Manager, the Hong Kong Underwriters and any of their respective directors, officers, employees, agents or advisers and any other parties involved in the Global Offering are liable only for and that you have only relied upon, the information and representations contained in this prospectus and any supplement to this prospectus; and
- **agree** with our Company and each of the Shareholders that the Shares are freely transferable by the holder thereof.

Our Company, the Sole Global Coordinator, the Sole Bookrunner and the Sole Lead Manager and their respective directors and any other parties involved in the Global Offering are entitled to rely on any warranty, representation or declaration made by you in the application. In the event of the application being made by joint applicants, all the warranties, representations, declarations and obligations expressed to be made, given or assumed by or imposed on the joint applicants shall be deemed to have been made, given and assumed by and imposed on the applicants jointly and severally.

In order for the **YELLOW** Application Forms to be valid:

You, as the applicant(s), must complete the form as indicated below and sign on the first page of the application form. Only written signature will be accepted.

**(a) if the application is made through a designated CCASS Participant (other than a CCASS Investor Participant):**

- the designated CCASS Participant must endorse the form with its company chop (bearing its company name) and insert its CCASS Participant ID in the appropriate box in the Application Form.

**(b) if the application is made by an individual CCASS Investor Participant:**

- (i) the Application Form must contain the CCASS Investor Participant's full name and Hong Kong identity card number; and
- (ii) the individual CCASS Investor Participant must insert its CCASS Participant ID in the appropriate box in the Application Form.

**(c) if the application is made by a joint individual CCASS Investor Participant:**

- (i) the Application Form must contain all joint CCASS Investor Participants' names and the Hong Kong identity card numbers of all of the joint CCASS Investor Participants; and
- (ii) the CCASS Participant ID must be inserted in the appropriate box in the Application Form.

---

## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

---

**(d) if the application is made by a corporate CCASS Investor Participant:**

- (i) the Application Form must contain the CCASS Investor Participant's company name and the Hong Kong business registration certificate number; and
- (ii) the CCASS Participant ID must be inserted and the company chop (bearing the CCASS Investor Participant's company name) chopped in the appropriate box in the Application Form.

Incorrect or omission of details of the CCASS Participant (include participant ID and/or company chop bearing its company name) or other similar matters may render your application invalid.

If your application is made through a duly authorized attorney, our Company, and the Sole Global Coordinator, the Sole Bookrunner and the Sole Lead Manager (or their respective agents and nominees), may accept the application at their discretion, and subject to any conditions they think fit, including evidence of the authority of your attorney. The Sole Global Coordinator, the Sole Bookrunner and the Sole Lead Manager, in its capacity as an agent of our Company, has full discretion to reject or accept any application, in full or in part, without assigning any reasons.

Nominees who wish to submit separate applications in their names on behalf of different beneficial owners are requested to designate on each Application Form in the box marked "For nominees" account numbers or other identification codes for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner.

Each **WHITE** or **YELLOW** Application Form must be accompanied by either one separate cheque drawn on the applicant's Hong Kong dollar bank account in Hong Kong and bearing the account name (either pre-printed by the bank or certified by an authorized signatory of such bank on the reverse of the cheque) which must correspond with the name of the applicant (or, in the case of joint applicants, the name of the first applicant) on the relevant application form, or one separate banker's cashier order on the reverse of which the bank has certified by an authorized signatory the name of the applicant, which must correspond with the name of the applicant (or, in the case of joint applicants, the name of the first applicant) on the relevant application form. All such cheques or banker's cashier orders must be made payable to "Horsford Nominees Limited – CW Group Public Offer", as set out in the Application Form and crossed "Account Payee Only".

### HOW TO APPLY BY USING HK eIPO WHITE FORM

- (a) You may apply through the HK eIPO White Form by submitting an application through the designated website at **www.hkeipo.hk**. If you apply through the HK eIPO White Form the shares will be issued in your own name.
- (b) Detailed instructions for application through the HK eIPO White Form service are set out on the designated website at **www.hkeipo.hk**. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected by the designated HK eIPO White Form Service Provider and may not be submitted to our Company.

---

## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

---

- (c) The designated HK eIPO White Form Service Provider may impose additional terms and conditions upon you for the use of the HK eIPO White Form service. Such terms and conditions are set out on the designated website at **www.hkeipo.hk**. You will be required to read, understand and agree to such terms and conditions in full prior to making any application.
- (d) By submitting an application to the designated HK eIPO White Form Service Provider through the HK eIPO White Form service, you are deemed to have authorized the designated HK eIPO White Form Service Provider to transfer the details of your application to our Company and our Hong Kong branch share registrar.
- (e) You may submit an application through the HK eIPO White Form service in respect of a minimum of 2,000 Hong Kong Offer Shares. Each electronic application instruction in respect of more than 2,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms, or as otherwise specified on the designated website at **www.hkeipo.hk**.
- (f) You should give electronic application instructions through the HK eIPO White Form at the times set out in the paragraph headed “Time for applying for the Hong Kong Offer Shares” below.
- (g) You should make payment for your application made by the HK eIPO White Form service in accordance with the methods and instructions set out in the designated website at **www.hkeipo.hk**. If you do not make complete payment of the application monies (including the brokerage fee, the Stock Exchange trading fee, and the SFC transaction levy) on or before 12:00 noon on Friday, 23 March 2012, or such later time as described under the paragraph headed “Effect of bad weather on the opening of the application lists” below, the designated HK eIPO White Form Service Provider will reject your application and your application monies will be returned to you in the manner described in the designated website at **www.hkeipo.hk**.
- (h) **Warning:** The application for Hong Kong Offer Shares through the HK eIPO White Form service is only a facility provided by the designated HK eIPO White Form Service Provider to public investors. Our Company, the Directors, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner and the Sole Lead Manager, the Hong Kong Underwriters and any of our or their respective directors, officers, employees, partners, agents, advisers and any other parties to the Global Offering take no responsibility for such applications, and provide no assurance that applications through the HK eIPO White Form service will be submitted to our Company or that you will be allotted any Hong Kong Offer Shares.

Please note that internet services may have capacity limitations and/or be subject to service interruptions from time to time. To ensure that you can submit your applications through the HK eIPO White Form service, you are advised not to wait until the last day for submitting applications in the Hong Kong Public Offering to submit your electronic application instructions. In the event that you have problems connecting to the designated website for the HK eIPO White Form service, you

---

## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

---

should submit a **WHITE** Application Form. However, once you have submitted electronic application instructions and completed payment in full using the payment reference number provided to you on the designated website, you will be deemed to have made an actual application and should not submit a **WHITE** Application Form. Please see the paragraph headed “How many applications you may make for the Hong Kong Offer Shares” below.

### **Additional Information**

For the purposes of allocating Hong Kong Offer Shares, each applicant giving electronic application instructions to the designated HK eIPO White Form Service Provider through HK eIPO White Form service ([www.hkeipo.hk](http://www.hkeipo.hk)) will be treated as an applicant.

If your payment of application monies is insufficient, or in excess of the required amount, having regard to the number of Offer Shares for which you have applied, or if your application is otherwise rejected by the designated HK eIPO White Form Service Provider, the designated HK eIPO White Form Service Provider through the HK eIPO White Form service ([www.hkeipo.hk](http://www.hkeipo.hk)) may adopt alternative arrangements for the refund of monies to you. Please refer to the additional information provided by the designated HK eIPO White Form Service Provider through HK eIPO White Form service ([www.hkeipo.hk](http://www.hkeipo.hk)).

Otherwise, any monies payable to you due to a refund for any of the reasons set out below in the section headed “Despatch and collection of share certificate(s) and/or refund cheque(s) and/or e-auto refund payment instructions and deposit of share certificates into CCASS” below.

### **HOW TO APPLY BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC**

#### **(a) General**

CCASS Participants may give electronic application instructions to HKSCC to apply for the Hong Kong Offer Shares and to arrange payment of the monies due on application and payment of refunds. This will be in accordance with their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give electronic application instructions through the CCASS Phone System by calling 2979 7888 or CCASS Internet System at <https://ip.ccass.com> (according to the procedures contained in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time). HKSCC can also input Electronic Application Instructions for you if you go to:

**Hong Kong Securities Clearing Company Limited**  
Customer Service Centre  
2nd Floor, Infinitus Plaza  
199 Des Voeux Road Central  
Hong Kong

and complete an input request form.

---

## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

---

Copies of this prospectus are available for collection from the above address. If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for Hong Kong Offer Shares on your behalf.

You are deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application whether submitted by you or through your broker or custodian to our Company and our Company's Hong Kong branch share registrar and transfer office.

**(b) Application for the Hong Kong Offer Shares by HKSCC Nominees on your behalf**

Where a **WHITE** Application Form is signed by HKSCC Nominees on behalf of persons who have given electronic application instructions to apply for the Hong Kong Offer Shares:

- (i) HKSCC Nominees is only acting as a nominee for those persons and shall not be liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees does the following things on behalf of each such person:
  - **agrees** that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the stock account of the CCASS Participant who has input electronic application instructions on that person's behalf or that person's CCASS Investor Participant stock account;
  - **undertakes** and **agrees** to accept the Hong Kong Offer Shares in respect of which that person has given electronic application instructions or any lesser number;
  - **undertakes** and **confirms** that that person has not applied for, taken up or received any International Offer Shares or indicated an interest for the International Offering or otherwise participated in the International Offering;
  - (if the electronic application instructions are given for that person's own benefit) **declares** that only one set of electronic application instructions has been given for that person's benefit;
  - (if that person is an agent for another person) **warrants** that that person has only given one set of electronic application instructions for the benefit of that other person and that person is duly authorized to give those instructions as that other person's agent;
  - **understands** that these declarations and representations will be relied upon by our Company, the Directors, the Sole Sponsor and the Sole Global Coordinator, the Sole Bookrunner and the Sole Lead Manager and the Hong Kong Underwriters in deciding whether or not to make any allotment of the Hong Kong Offer Shares in respect of the electronic application instructions given by that person and that person may be prosecuted if he makes a false declaration;

---

## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

---

- **authorizes** our Company to place the name of HKSCC Nominees on the register of members of our Company as the holder of the Hong Kong Offer Shares allotted in respect of that person's electronic application instructions and to send share certificate(s) and/or refund monies in accordance with the arrangements separately agreed between our Company and HKSCC;
- **confirms** that that person has read the terms and conditions and application procedures set out in this prospectus and the Application Forms and agrees to be bound by them;
- **confirms** that that person has only relied on the information and representations in this prospectus (and any supplement thereto) and the Application Forms in giving that person's electronic application instructions or instructing that person's broker or custodian to give electronic application instructions on that person's behalf;
- **agrees** that our Company, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner and the Sole Lead Manager, the Hong Kong Underwriters, their respective directors, officers, employees, advisers and any other parties involved in the Global Offering are not liable for the information and representations not so contained in this prospectus, any supplement thereto or the Application Form;
- **agrees** to disclose that person's personal data to our Company, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner and the Sole Lead Manager, the Hong Kong Underwriters, the Hong Kong branch share registrar, its registrars, the receiving banker and/or their respective, adviser and agents and any information which they may require about that person;
- **agrees** (without prejudice to any other rights which that person may have) that once the application of HKSCC Nominees is accepted, the application cannot be rescinded for innocent misrepresentation;
- **agrees** that any application made by HKSCC Nominees on behalf of that person pursuant to electronic application instructions given by that person is irrevocable on or before fifth day after the time of opening of the application lists (excluding for this purpose any day which is not a public holiday in Hong Kong), such agreement to take effect as a collateral contract with our Company and to become binding when that person gives the instructions and such collateral contract to be in consideration of our Company agreeing that we will not offer any Hong Kong Offer Shares to any person on or before fifth day after the time of opening of the application lists (excluding for this purpose any day which is not a public holiday in Hong Kong) except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application on or before fifth day after the time of opening of the application lists (excluding for this purpose any day which is not a public holiday in Hong Kong) if a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus;

---

## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

---

- **agrees** that once the application of HKSCC Nominees is accepted, neither that application nor that person's electronic application instruction can be revoked, and that acceptance of that application will be evidenced by the announcement of the results of the Hong Kong Public Offering published by our Company;
- **agrees** to the arrangements, undertakings and warranties specified in the participant agreement between that person and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, in respect of the giving of electronic application instructions relating to the Hong Kong Offer Shares;
- **agrees** with our Company, for ourselves for the benefit of each of the Shareholders (and so that our Company will be deemed by our acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for our Company and on behalf of each of the Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Companies Law, the memorandum and articles of association of our Company;
- **agrees** with our Company (for ourselves and for the benefit of each of the Shareholders) that the Shares are freely transferable by the holders thereof;
- **agrees** that that person's application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;
- **instructs** and **authorizes** our Company and/or the Sole Global Coordinator (or their respective agents or nominees) to execute any transfer forms, contract notes or other documents on behalf of that person and to do on behalf of that person all things necessary to effect the registration of any Hong Kong Offer Shares allocated to that person in the name of HKSCC Nominees, as required by the Articles and otherwise to give effect to the arrangements described in this prospectus and the Application Form;
- **undertakes** to sign all documents and to do all things necessary to enable the name of HKSCC Nominees to be registered as the holder of the Hong Kong Offer Shares allocated to that person, and as required by the Articles; and
- if the laws of any place outside Hong Kong are applicable to that person's application, **agrees** and **warrants** that that person has complied with all such laws and none of our Company, the Directors, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, the Hong Kong Underwriters nor any of their respective officers, employees or advisers will infringe any laws outside Hong Kong as a result of the acceptance of that person's offer to purchase, or any actions arising from that person's rights and obligations under the terms and conditions contained in the Application Form and in this prospectus.



---

## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

---

### (c) Effect of giving electronic application instructions to HKSCC

By giving electronic application instructions to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees will be liable to our Company or any other person in respect of the things mentioned below:

- **instructed and authorized** HKSCC to cause HKSCC Nominees (acting as nominee for the CCASS Participants) to apply for Hong Kong Offer Shares on your behalf;
- **instructed and authorized** HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and Stock Exchange trading fee by debiting your designated bank account and, in the case of wholly or partly unsuccessful applications and/or if the Offer Price is less than the maximum offer price per Share initially paid on application, refund of the application monies, in each case including brokerage, SFC transaction levy and Stock Exchange trading fee, by crediting your designated bank account; and
- **instructed and authorized** HKSCC to cause HKSCC Nominees to do on your behalf all the things which it is stated to do on your behalf in the **WHITE** Application Form.

### (d) Minimum subscription amount and permitted multiples

You may give or cause your broker or a custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions in respect of a minimum of 2,000 Hong Kong Offer Shares. Such instructions in respect of more than 2,000 Hong Kong Offer Shares must be in one of the numbers or multiples set out in the table in the Application Forms. No application for any number of the Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

### (e) Multiple applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any electronic application instructions to make an application for Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made. Further information in this regard is set forth under “How many applications you may make for the Hong Kong Offer Shares” below.

### (f) Allocation of the Hong Kong Offer Shares

For the purposes of allocating the Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit each such instruction is given will be treated as an applicant.



---

## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

---

### (g) Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company and the registrars about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

### (h) Section 40 of the Companies Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives, or causes to give, electronic application instructions is a person who may be entitled to compensation under section 40 of the Companies Ordinance.

### Warning

The subscription of Hong Kong Offer Shares by giving electronic application instructions to HKSCC is only a facility provided to CCASS Participants. Our Company, the Directors, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner and the Sole Lead Manager and the Hong Kong Underwriters take no responsibility for the application and provide no assurance that any CCASS Participants will be allotted any Hong Kong Offer Shares. To ensure that CCASS Investor Participants can give their electronic application instructions to HKSCC through the CCASS Phone System or CCASS Internet System, CCASS Investor Participants are advised not to wait until the last minute to input their electronic application instructions to the systems. In the event that CCASS Investor Participants have problems connecting to CCASS Phone System/CCASS Internet System for submission of electronic application instructions, they should either:

- (i) submit the **WHITE** or **YELLOW** Application Form (as appropriate), or
- (ii) go to HKSCC’s Customer Service Centre to complete an application instruction input request form before 12:00 noon on Friday, 23 March 2012 or such later time as described under the sub-paragraph headed “Effect of bad weather on the opening of the application lists” below.

### HOW MANY APPLICATIONS YOU MAY MAKE FOR THE HONG KONG OFFER SHARES

You may make more than one application for the Hong Kong Offer Shares only if you are a nominee, in which case you may both give electronic application instructions to HKSCC (if you are a CCASS Participant) and lodge more than one Application Form in your own name on behalf of different beneficial owners. In the box on the relevant Application Form marked “For nominee(s)” you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each such beneficial owner. If you do not include this information, the application will be treated as being for your own benefit. **Otherwise, multiple applications are not allowed.**

---

## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

---

It will be a term and condition of all applications that by completing and delivering an Application Form or by giving electronic application instructions to HKSCC, you:

- if the application is made for your own benefit, warrant that this is the only application which will be made for your benefit on a **WHITE** or **YELLOW** Application Form or through giving electronic application instructions to HKSCC or to the designated HK eIPO White Form Service Provider through the HK eIPO White Form service ([www.hkeipo.hk](http://www.hkeipo.hk)); and
- if you are an agent for another person, warrant that reasonable enquiries have been made of the beneficial owner that this is the only application which will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or through giving electronic application instructions to HKSCC, or to the designated HK eIPO White Form Service Provider through the HK eIPO White Form service ([www.hkeipo.hk](http://www.hkeipo.hk)), and that you are duly authorized to sign the Application Form as that other person's agent.

Except where you are a nominee and provide the information required to be provided in your applications, all of your applications will be rejected as multiple applications if you, or you and your joint applicant(s) together:

- make more than one application (whether individually or jointly with others) on a **WHITE** or **YELLOW** Application Form or by way of giving electronic application instructions to HKSCC via CCASS or to the designated HK eIPO White Form Service Provider through the HK eIPO White Form service ([www.hkeipo.hk](http://www.hkeipo.hk));
- both apply (whether individually or jointly with others) on one **WHITE** Application Form and one **YELLOW** Application Form or one **WHITE** or **YELLOW** Application Form and by way of giving electronic application instructions to HKSCC or to the designated HK eIPO White Form Service Provider through the HK eIPO White Form service ([www.hkeipo.hk](http://www.hkeipo.hk));
- apply (whether individually or jointly with others) on one **WHITE** or **YELLOW** Application Form or by way of giving electronic application instructions to HKSCC via CCASS (if you are a CCASS Investor Participant or applying through a CCASS Clearing or Custodian Participant) or to the designated HK eIPO White Form Service Provider through the HK eIPO White Form service ([www.hkeipo.hk](http://www.hkeipo.hk)) for more than 100% of the Hong Kong Offer Shares initially available in either pool A or pool B for subscription under the Hong Kong Public Offering; or
- have applied for, taken up or received, or indicated an interest for the International Offer Shares or otherwise participated in the International Offering and make application on **WHITE** or **YELLOW** Application Form or by way of giving electronic application instructions to HKSCC or to the designated HK eIPO White Form Service Provider through the HK eIPO White Form service ([www.hkeipo.hk](http://www.hkeipo.hk)).

---

## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

---

All of your applications will also be rejected as multiple applications if more than one application is made for your benefit (including the part of the application made by HKSCC Nominees on electronic application instructions) or you have applied for, taken up or received any International Offer Shares or indicated an interest for the International Offering or otherwise participated in the International Offering. If an application is made by an unlisted company and

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit. An unlisted company means a company with no equity securities listed on the Stock Exchange. Statutory control in relation to a company means you:

- control the composition of the board of directors of that company; and/or
- control more than half of the voting power of that company; and/or
- hold more than half of the issued share capital of that company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

If you are suspected of having made multiple electronic applications or if more than one electronic application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any electronic application instruction to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purpose of considering whether multiple applications have been made.

### HOW MUCH ARE THE HONG KONG OFFER SHARES

The maximum Offer Price is HK\$1.73 per Offer Share. You must also pay brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%. This means that for every 2,000 Hong Kong Offer Shares, you will pay HK\$3,494.87. Each Application Form has a table showing the exact amount payable for certain multiples of the Hong Kong Offer Shares. You must pay the maximum Offer Price, the brokerage, the Stock Exchange trading fee and the SFC transaction levy in full when you apply for the Hong Kong Offer Shares.

Your payment must be made by one cheque or one banker's cashier order and must comply with the terms of the related Application Forms (if you apply by an Application Form). Your cheque or banker's cashier order will not be presented for payment before 12:00 noon on Friday, 23 March 2012. If your application is successful, the brokerage is paid to participants of the Stock Exchange, the transaction levy is paid to the Stock Exchange collecting on behalf of the SFC, and the trading fee is paid to the Stock Exchange. If the Offer Price as finally determined is less than HK\$1.73 per Offer Share, appropriate refund payments (including the related brokerage, the Stock Exchange

---

## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

---

trading fee and the SFC transaction levy attributable to the surplus application monies) will be made to applicants, without interests. Details of the procedures for refund are contained in the section headed “Despatch and collection of share certificate(s) and/or refund cheque(s) and/or e-auto refund payment instructions and deposit of share certificates into CCASS” below.

Our Company will not issue temporary documents of title, evidence of title or receipt for payment.

### TIME FOR APPLYING FOR THE HONG KONG OFFER SHARES

#### (a) WHITE and YELLOW Application Forms

Completed **WHITE** or **YELLOW** Application Forms, with payment attached, must be lodged by 12:00 noon on Friday, 23 March 2012, or, if the application lists are not open on that day, then by the time and date stated in the paragraph headed “Effect of bad weather on the opening of the application lists” below.

Your completed Application Form, with payment in Hong Kong dollars for the full amount payable on application attached, should be deposited in the special collection boxes provided at any one of the branches of Standard Chartered Bank (Hong Kong) Limited listed under the paragraph headed “Where to collect the Application Forms” above at the following times:

**Tuesday, 20 March 2012 – 9:00 a.m. to 5:00 p.m.**  
**Wednesday, 21 March 2012 – 9:00 a.m. to 5:00 p.m.**  
**Thursday, 22 March 2012 – 9:00 a.m. to 5:00 p.m.**  
**Friday, 23 March 2012 – 9:00 a.m. to 12:00 noon**

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, 23 March 2012.

#### (b) HK eIPO White Form

You may submit your application to the designated HK eIPO White Form Service Provider through the designated website at **www.hkeipo.hk** from 9:00 a.m. on Tuesday, 20 March 2012 until 11:30 a.m. on Friday, 23 March 2012 or such later time as described under the paragraph headed “Effect of bad weather on the opening of the application lists” under this section below (24 hours daily, except on the last application day). The latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, 23 March 2012, the last application day, or, if the application lists are not open on that day, then by the time and date stated in “Effect of bad weather on the opening of the application lists” below.

You will not be permitted to submit your application to the designated HK eIPO White Form Service Provider through the designated website at **www.hkeipo.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

---

## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

---

### (c) Electronic application instructions

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

**Tuesday, 20 March 2012 – 9:00 a.m. to 8:30 p.m. (Note 1)**  
**Wednesday, 21 March 2012 – 8:00 a.m. to 8:30 p.m. (Note 1)**  
**Thursday, 22 March 2012 – 8:00 a.m. to 8:30 p.m. (Note 1)**  
**Friday, 23 March 2012 – 8:00 a.m. (Note 1) to 12:00 noon**

*Note (1):* These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input electronic application instructions from 9:00 a.m. on Tuesday, 20 March 2012 until 12:00 noon on Friday, 23 March 2012 (24 hours daily, except the last application date).

The latest time for inputting your electronic application instructions (if you are a CCASS Participant) is 12:00 noon on Friday, 23 March 2012 or, if the application lists are not open on that day, by the time and date stated under “Effects of bad weather on the opening of the application lists” below.

### (d) Application lists

**Subject to the events as described in the paragraph headed “Effect of bad weather on the opening of the application lists” below, the application lists will open at 11:45 a.m. and close at 12:00 noon on Friday, 23 March 2012.**

**No proceedings will be taken on application for the Shares and no allotment of any such Shares will be made until the closing of the application lists.**

### EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above, or
- a “black” rainstorm warning signal

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 23 March 2012. Instead, they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warning signals in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon.

---

## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

---

In the event of the above-mentioned tropical cyclone or rainstorm on Friday, 23 March 2012, the latest time for lodging your Application Forms and for inputting your electronic application instructions will be postponed accordingly to the next business day which does not have either of those warning signals in force in Hong Kong at anytime between 9:00 a.m. and 12:00 noon on such day.

### **CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED THE HONG KONG OFFER SHARES**

Full details of the circumstances in which you will not be allocated the Hong Kong Offer Shares are set out in the notes attached to the related Application Forms, and you should read them carefully. You should note, in particular, the following two situations in which the Hong Kong Offer Shares will not be allocated to you:

#### **If your application is revoked**

By depositing the **WHITE** or **YELLOW** Application Form or submitting electronic application instructions to HKSCC, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before fifth day after the time of opening of the application lists (excluding for this purpose any day which is not a public holiday in Hong Kong).

This agreement will take effect as a collateral contract with our Company, and will become binding when you lodge your Application Form or submit your electronic application instructions to HKSCC and an application has been made by HKSCC Nominees on your behalf accordingly. This collateral contract will be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person on or before fifth day after the time of opening of the application lists (excluding for this purpose any day which is not a public holiday in Hong Kong) except by means of one of the procedures referred to in this prospectus.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before fifth day after the time of opening of the application lists (excluding for this purpose any day which is not a public holiday in Hong Kong), if a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If applicants have not been so notified, or if applicants have been notified but have not withdrawn their applications in accordance with the procedure to be notified, all applications that have been submitted will remain valid and may be accepted. Subject to the above, an application once made is irrevocable and applicants shall be deemed to have applied on the basis of this prospectus as supplemented.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. Acceptance of application which are not rejected will be constituted by notification in the announcement of the results of allocation and, where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to satisfaction of such conditions or the results of such ballot, respectively.

---

## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

---

### **Full discretion of our Company or its agents to reject or accept you application**

Our Company and our agents have full discretion to reject or accept any application, or to accept only part of an application, and do not have to give any reason for any rejection or acceptance.

### **If your application is rejected**

Your application will be rejected if:

- it is a multiple application or a suspected multiple application; or
- you or the person for whose benefit you are applying have applied for or taken up, received or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) the International Offer Shares. Reasonable steps will be taken to identify and reject applications in the Hong Kong Public Offering from investors who have received the International Offer Shares; and to identify and reject indications of interest in the International Offering from investors who have received Hong Kong Offer Shares in the Hong Kong Public Offering; or
- your Application Form is not completed correctly in accordance with the instructions printed thereon (if you apply by an Application Form); or
- your payment is not made correctly; or
- you pay by cheque or banker's cashier order and the cheque or banker's cashier order is dishonoured on its first presentation; or
- our Company or any of our agents believes that by accepting your application, our Company would violate the applicable laws, rules or regulations of the jurisdiction in which your application is, or is suspected to have been, completed and/or signed or of any other jurisdiction; or
- your application is for more than 100% of the Hong Kong Offer Shares under either pool A or pool B initially available for subscription by the public.

### **If your application is not accepted**

Your application (including the part of an application made by HKSCC Nominees acting upon electronic application instructions) will not be accepted if either:

- the Hong Kong Underwriting Agreement does not become unconditional; or
- the Hong Kong Underwriting Agreement is terminated in accordance with its terms and conditions; or
- no agreement has been reached on the Offer Price on or before the Price Determination Date.



---

## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

---

### **If the allotment of Hong Kong Offer Shares is void**

Any allotment of the Hong Kong Offer Shares to you or to HKSCC Nominees (if you give electronic application instructions or apply by a **YELLOW** Application Form) will be void if the Listing Committee does not grant the approval of the listing of, and permission to deal in, the Shares either:

- within three weeks from the closing of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing of the application lists.

### **PUBLICATION OF RESULTS**

Our Company expects to announce the final Offer Price, the level of indication of interest under the International Offering and the basis of allotment of the Hong Kong Offer Shares under the Hong Kong Public Offering on or before Wednesday, 28 March 2012 on our Company's website at [www.cwgroup-int.com](http://www.cwgroup-int.com) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).

Results of allocations in the Hong Kong Public Offering, including the Hong Kong identity card/passport/Hong Kong business registration certificate numbers of successful applicants (where supplied) and the number of Offer Shares successfully applied for under **WHITE** or **YELLOW** Application Forms or by giving electronic application instructions to HKSCC via CCASS (in addition to the announcements in newspapers referred to above) will be made available at the times and dates and in the manner specified below:

- on the website at [www.tricor.com.hk/ipo/result](http://www.tricor.com.hk/ipo/result) on a 24-hour basis from 8:00 a.m. on Wednesday, 28 March 2012 to 12:00 midnight on Tuesday, 3 April 2012. The user will be required to key in the Hong Kong identity card/passport/Hong Kong business registration certificate number provided in his/her/its Application Form to search for his/her/its own allocation result;
- on our Company's website at [www.cwgroup-int.com](http://www.cwgroup-int.com) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) on Wednesday, 28 March 2012 onwards;
- from our Company's Hong Kong Public Offering allocation results telephone enquiry hotline. Applicants may find out whether or not their applications have been successful and the number of Offer Shares allocated to them, if any, by calling 3691 8488 between 9:00 a.m. and 6:00 p.m. from Wednesday, 28 March 2012 to Monday, 2 April 2012 (excluding Saturday, Sunday and public holidays); and
- special allocation results booklets setting out the results of allocations will be available for inspection during opening hours of individual branches and sub-branches of the receiving bank from Wednesday, 28 March 2012 to Friday, 30 March 2012 at the addresses set out in the paragraph headed "Where to collect the Application Forms" above.



---

## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

---

### DESPATCH AND COLLECTION OF SHARE CERTIFICATE(S) AND/OR REFUND CHEQUE(S) AND/OR E-AUTO REFUND PAYMENT INSTRUCTIONS AND DEPOSIT OF SHARE CERTIFICATES INTO CCASS

Our Company will not issue temporary documents of title. No receipt will be issued for application monies received.

#### **WHITE Application Forms:**

If you have applied for 1,000,000 Hong Kong Offer Shares or more and have indicated on your **WHITE** Application Form that you will collect your share certificate(s) and/or refund cheque, if any, in person, you may collect it in person from:

Tricor Investor Services Limited  
26th Floor  
Tesbury, Centre  
28 Queen's Road East  
Wanchai  
Hong Kong

between 9:00 a.m. and 1:00 p.m. on the date notified by our Company on our Company's website ([www.cwgroup-int.com](http://www.cwgroup-int.com)) and the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) as the date of despatch of share certificates and/or refund cheques. This is expected to be on Wednesday, 28 March 2012.

If you are an individual and opt for personal collection, you must not authorise any other person to make collection on your behalf. If you are a corporate applicant and opt for personal collection, you must attend by your authorized representative bearing a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorized representatives, if applicable, must produce, at the time of collection, evidence of identity acceptable to Tricor Investor Services Limited. If you do not collect your share certificate(s) (if applicable) and/or refund cheque (if any) in person within the time specified for collection, it/they will be sent to the address on your application form shortly after the specified time on the date of despatch by ordinary post and at your own risk. If you have applied for 1,000,000 Hong Kong Offer Shares or more but have not indicated on your application form that you wish to collect your share certificate(s) and/or refund cheque in person, or if you have applied for less than 1,000,000 Hong Kong Offer Shares or if your application is rejected, not accepted or accepted in part only, or if the conditions of the Global Offering described under the paragraph headed "Conditions of the Global Offering" in the section headed "Structure of the Global Offering" in this prospectus are not fulfilled in accordance with their terms, or if any application is revoked or any allotment pursuant thereto has become void, then your share certificate(s) (if any) and/or refund cheque (if any) in respect of the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and Stock Exchange trading fee, if any, without interest, will be sent to the address on your application form on the date of despatch by ordinary post and at your own risk. Applicants will receive one share certificate each for all the Hong Kong Offer Shares allocated.

---

## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

---

### **HK eIPO White Form:**

If you apply for 1,000,000 Hong Kong Offer Shares or more through the HK eIPO White Form service by submitting an electronic application to the designated HK eIPO White Form Service Provider through the designated website at [www.hkeipo.hk](http://www.hkeipo.hk) and your application is wholly or partially successful, you may collect your share certificate(s) (where applicable) and/or refund cheque(s) (if any) in person from Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, 28 March 2012, or such other date as notified by our Company on the Company's website ([www.cwgroup-int.com](http://www.cwgroup-int.com)) and the website of Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) as the date of despatch/collection of share certificates/refund cheques and/or e-Auto Refund payment instructions. If you do not collect your share certificate(s) (where applicable) and/or refund cheque(s) (if any) personally within the time specified for collection, they will be sent to the address specified in your application instructions to the designated HK eIPO White Form Service Provider promptly thereafter by ordinary post and at your own risk. If you apply for less than 1,000,000 Hong Kong Offer Shares, your share certificate(s) (where applicable) and/or refund cheque(s) (if any) will be sent to the address specified in your application instructions to the designated HK eIPO White Form Service Provider through the designated website at [www.hkeipo.hk](http://www.hkeipo.hk) on Wednesday, 28 March 2012, by ordinary post and at your own risk.

Applicants who apply through the HK eIPO White Form service by paying the application monies through a single bank account and applicant's application is wholly or partially unsuccessful and/or the final Offer Price being different from the maximum Offer Price initially paid on applicant's application, e-Auto Refund payment instructions (if any) will be despatched to application payment bank account on or around Wednesday, 28 March 2012.

Applicants who apply through the HK eIPO White Form service by paying the application monies through multiple bank accounts and applicant's application is wholly or partially unsuccessful and/or the final Offer Price being different from the maximum Offer Price initially paid on applicant's application, refund cheque(s) will be sent to the address specified in applicant's application instructions to the designated HK eIPO White Form Service Provider on or around Wednesday, 28 March 2012, by ordinary post and at applicant's own risk.

Please also note the additional information relating to refund of application monies overpaid, application money underpaid or applications rejected by the designated HK eIPO White Form Service Provider set out in the section headed "How to apply by using HK eIPO White Form – Additional Information" in this prospectus.

You will receive one share certificate for all the Offer Shares issued and allotted to you.

### **YELLOW Application Forms:**

Your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant, as instructed by you on Wednesday, 28 March 2012, or under contingent situations, on any other date as shall be determined by HKSCC or HKSCC Nominees.

---

## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

---

If you are applying through a designated CCASS Participant, other than a CCASS Investor Participant:

- for Hong Kong Offer Shares credited to the stock account of your designated CCASS Participant, other than a CCASS Investor Participant, you can check the number of Hong Kong Offer Shares allotted to you with that CCASS Participant.

If you are applying as a CCASS Investor Participant,

- our Company expects to publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering on our Company's website ([www.cwgroup-int.com](http://www.cwgroup-int.com)) and the website of Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) on Wednesday, 28 March 2012. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 28 March 2012 or such other date as shall be determined by HKSCC or HKSCC nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC will also make available to you an activity statement showing the number of the Hong Kong Offer Shares credited to your stock account.

If you have applied for 1,000,000 Hong Kong Offer Shares or more and have indicated on your Application Form that you will collect your refund cheque in person, please follow the instructions set out in the paragraph headed "**WHITE** application forms" above.

### **Refund cheque**

All refunds by cheque will be crossed "Account Payee Only", made out to you, or, if you are joint applicants, to the first-named applicant on your Application Form. Part of your Hong Kong Identity Card number/passport number, or, if you are joint applicants, part of the Hong Kong Identity Card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party for refund purpose. Your banker may require verification of your Hong Kong Identity Card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong Identity Card number/passport number may lead to delay in encashment of or may invalidate your refund cheque.

### **Electronic application instructions**

If you apply for Hong Kong Offer Shares by giving electronic application instructions to HKSCC and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant to which you have instructed to give electronic application instructions on your behalf (as appropriate) on Wednesday, 28 March 2012 or under contingent situations, on any other date as shall be determined by HKSCC or HKSCC Nominees. If you apply by giving electronic application instructions to HKSCC, refund

---

## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

---

of the application monies (including brokerage fee, the SFC transaction levy and the Stock Exchange trading fee) will be credited to your designated bank account or the bank account of your designated broker or custodian without interest on Wednesday, 28 March 2012. Our Company will publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company shall include information relating to the beneficial owner, if supplied), your Hong Kong Identity Card/passport number or other identification code (Hong Kong Business Registration number for corporations) and the basis of allocation of the Hong Kong Public Offering, on Company's website ([www.cwgroup-int.com](http://www.cwgroup-int.com)) and the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) on Wednesday, 28 March 2012. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. Wednesday, 28 March 2012 or any other date HKSCC or HKSCC Nominees chooses. If you are instructing your broker or custodian to give electronic application instructions on your behalf, you can also check the number of Hong Kong Offer Shares allocated to you and the amount of refund (if any) payable to you with that broker or custodian. If you are applying as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund (if any) payable to you via the CCASS Phone System and CCASS Internet System on Wednesday, 28 March 2012, HKSCC will also make available to you activity statement(s) showing the number of Hong Kong Offer Shares credited to your stock account and the amount of refund money credited to your designated bank account (if any).

### DEALING ARRANGEMENTS

#### Commencement of dealings in our Shares on the Stock Exchange

Assuming that the Global Offering becomes unconditional at or before 8:00 a.m. on the Listing Date, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Thursday, 29 March 2012. Our Shares will be traded in board lots of 2,000 Shares each.

#### Our Shares will be eligible for admission into CCASS

If the Stock Exchange grants the listing of, and permission to deal in, our Shares on the Stock Exchange and we comply with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for our Shares to be admitted into CCASS.

You should seek advice of your stockbroker or other professional adviser for details of the settlement arrangements as such arrangements will affect your rights and interests.



22 Floor, CITIC Tower  
1 Tim Mei Avenue  
Central  
Hong Kong

20 March 2012

**The Directors**  
**CW Group Holdings Limited**

**Guotai Junan Capital Limited**

Dear Sirs,

We set out below our report on the financial information of CW Group Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) comprising the combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for each of the years ended 31 December 2008, 2009 and 2010, and the nine months ended 30 September 2011 (the “Relevant Periods”), and the combined statements of financial position of the Group as at 31 December 2008, 2009 and 2010 and 30 September 2011, together with the notes thereto, (the “Financial Information”), and the comparative combined statement of comprehensive income, combined statement of changes in equity and combined statement of cash flows of the Group for the nine months ended 30 September 2010 (the “Interim Comparative Information”), prepared on the basis of presentation set out in Note 2.1 of Section II, for inclusion in the prospectus of the Company dated 20 March 2012 (the “Prospectus”) in connection with the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 11 June 2010. Pursuant to a group reorganisation (the “Reorganisation”) as set out in Note 2.1 of Section II, which was completed on 13 March 2012, the Company became the holding company of the other subsidiaries comprising the Group. Apart from the Reorganisation, the Company has not commenced any business or operation since its incorporation.

As at the date of this report, no statutory financial statements have been prepared for the Company, as the Company has not been involved in any significant business transaction other than the Reorganisation described above and it is not subject to statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation.

As at the end of the Relevant Periods, the Company has direct and indirect interests in the subsidiaries as set out in Note 1 of Section II below. All companies now comprising the Group have adopted 31 December as their financial year end date. The statutory financial statements of the companies now comprising the Group were prepared in accordance with the relevant accounting principles applicable to these companies in the countries in which they were incorporated and/or established. Details of their statutory auditors during the Relevant Periods are set out in Note 1 of Section II below.

For the purpose of this report, the directors of the Company (the "Directors") have prepared the combined financial statements of the Group (the "Underlying Financial Statements") in accordance with International Financial Reporting Standards (the "IFRSs") issued by the International Accounting Standards Board (the "IASB"). The Underlying Financial Statements for each of the years ended 31 December 2008, 2009 and 2010, and the nine months ended 30 September 2011 were audited by us in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board (the "IAASB").

The Financial Information set out in this report has been prepared from the Underlying Financial Statements with no adjustments made thereon.

### **DIRECTORS' RESPONSIBILITY**

The Directors are responsible for the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Information that give a true and fair view in accordance with IFRSs, and for such internal controls as the Directors determine are necessary to enable the preparation of the Underlying Financial Statements the Financial Information and the Interim Comparative Information that are free from material misstatement, whether due to fraud or error.

### **REPORTING ACCOUNTANTS' RESPONSIBILITY**

It is our responsibility to form an independent opinion and a review conclusion on the Financial Information and the Interim Comparative Information, respectively, and to report our opinion and review conclusion thereon to you.

For the purpose of this report, we have examined the Underlying Financial Statements and have carried out procedures on the Financial Information in accordance with Auditing Guideline 3.340 Prospectuses and the Reporting Accountant issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

We have also performed a review of the Interim Comparative Information in accordance with International Standard on Review Engagement 2410 *Review of Interim Financial Information performed by the Independent Auditor of the Entity* issued by the IAASB. A review consists principally of making enquiries of management and applying analytical procedures to the Financial Information and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets and liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an opinion on the Interim Comparative Information.

### **OPINION IN RESPECT OF THE FINANCIAL INFORMATION**

In our opinion, for the purpose of this report and on the basis of presentation set out in Note 2.1 of Section II below, the Financial Information gives a true and fair view of the state of affairs of the Group as at 31 December 2008, 2009 and 2010 and 30 September 2011 and of the combined results and cash flows of the Group for each of the Relevant Periods.

## REVIEW CONCLUSION IN RESPECT OF THE INTERIM COMPARATIVE INFORMATION

Based on our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the Interim Comparative Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

## I FINANCIAL INFORMATION

## Combined Statements of Comprehensive Income

|   | Notes | Year ended 31 December |                  |                  | 9 months ended<br>30 September  |                  |
|---|-------|------------------------|------------------|------------------|---------------------------------|------------------|
|   |       | 2008<br>HK\$'000       | 2009<br>HK\$'000 | 2010<br>HK\$'000 | 2010<br>HK\$'000<br>(Unaudited) | 2011<br>HK\$'000 |
| Revenue   | 6     | 291,643                | 289,711          | 469,450          | 261,350                         | 545,287          |
| Cost of sales   |       | (198,410)              | (185,017)        | (324,206)        | (178,390)                       | (420,942)        |
| Gross profit  |       | 93,233                 | 104,694          | 145,244          | 82,960                          | 124,345          |
| Other income and gains  | 6     | 3,502                  | 4,149            | 2,064            | 2,010                           | 1,273            |
| Selling and distribution expenses                               |       | (15,652)               | (18,365)         | (18,814)         | (12,932)                        | (18,586)         |
| Administrative expenses   |       | (23,559)               | (24,122)         | (27,401)         | (18,128)                        | (27,973)         |
| Finance costs   | 7     | (4,521)                | (4,053)          | (28,669)         | (17,906)                        | (18,472)         |
| Other operating expenses  |       | (3,256)                | (1,674)          | (1,060)          | (3,365)                         | (3,349)          |
| <b>Profit before tax</b>  | 8     | 49,747                 | 60,629           | 71,364           | 32,639                          | 57,238           |
| Income tax expense  | 9     | (8,142)                | (14,179)         | (20,744)         | (13,369)                        | (17,472)         |
| <b>Profit for the year</b>                                      |       | 41,605                 | 46,450           | 50,620           | 19,270                          | 39,766           |
| <b>Other comprehensive income</b>                               |       |                        |                  |                  |                                 |                  |
| Exchange differences on translation of foreign operations       |       | 8,983                  | 773              | 2,673            | (532)                           | 5,266            |
| Fair value of derivative  |       | —                      | —                | (2,000)          | (2,000)                         | —                |
| Other comprehensive income for the year, net of tax             |       | 8,983                  | 773              | 673              | (2,532)                         | 5,266            |
| <b>Total comprehensive income for the year</b>                  |       | 50,588                 | 47,223           | 51,293           | 16,738                          | 45,032           |
| <b>Profit for the year attributable to:</b>                     |       |                        |                  |                  |                                 |                  |
| Owners of the Company   |       | 25,640                 | 24,939           | 26,852           | 560                             | 39,766           |
| Non-controlling interests                                       |       | 15,965                 | 21,511           | 23,768           | 18,710                          | —                |
|   |       | 41,605                 | 46,450           | 50,620           | 19,270                          | 39,766           |
| <b>Total comprehensive income for the year attributable to:</b> |       |                        |                  |                  |                                 |                  |
| Owners of the Company   |       | 32,252                 | 25,733           | 27,525           | (4,503)                         | 45,032           |
| Non-controlling interests                                       |       | 18,336                 | 21,490           | 23,768           | 21,241                          | —                |
|   |       | 50,588                 | 47,223           | 51,293           | 16,738                          | 45,032           |



## Combined Statements of Financial Position

|  |       | 31 December    |                | 30 September   |                |
|--|-------|----------------|----------------|----------------|----------------|
|  |       | 2008           | 2009           | 2010           | 2011           |
|  | Notes | HK\$'000       | HK\$'000       | HK\$'000       | HK\$'000       |
| <b>Non-current assets</b>                    |       |                |                |                |                |
| Property, plant and equipment                | 14    | 17,667         | 18,830         | 25,557         | 25,326         |
| Prepaid land lease payments                  | 15    | 792            | 781            | 798            | 817            |
| Deferred tax assets                          | 26    | 140            | 315            | 80             | 95             |
| Goodwill                                     | 16    | 31,640         | 31,649         | 32,874         | 34,042         |
| Other receivables                            |       | 2,693          | –              | –              | –              |
| Investment in jointly-controlled entities    | 17    | –              | –              | –              | –              |
|  |       | <u>52,932</u>  | <u>51,575</u>  | <u>59,309</u>  | <u>60,280</u>  |
| <b>Current assets</b>                        |       |                |                |                |                |
| Inventories                                  | 18    | 18,897         | 15,524         | 20,946         | 31,001         |
| Trade receivables                            | 19    | 138,441        | 144,389        | 232,483        | 474,931        |
| Other receivables                            | 20    | 79,719         | 113,504        | 141,922        | 138,085        |
| Pledged deposits                             | 21    | 5,912          | 5,735          | 5,342          | 1,418          |
| Cash and bank balances                       | 21    | 34,465         | 73,389         | 115,413        | 39,137         |
|  |       | <u>277,434</u> | <u>352,541</u> | <u>516,106</u> | <u>684,572</u> |
| <b>Current liabilities</b>                   |       |                |                |                |                |
| Bank loans and overdrafts                    | 22    | 22,968         | 23,260         | 20,396         | 9,187          |
| Trade payables                               | 23    | 91,608         | 90,362         | 160,772        | 317,214        |
| Other payables and accruals                  | 24    | 61,153         | 87,065         | 141,033        | 102,930        |
| Redeemable convertible loan                  | 27    | –              | –              | 37,544         | 53,096         |
| Derivative liabilities                       | 27    | –              | –              | 43,014         | 40,677         |
| Finance lease payable                        | 25    | 2,942          | 1,830          | 1,461          | 648            |
| Tax payables                                 |       | 6,523          | 4,850          | 9,032          | 11,161         |
|  |       | <u>185,194</u> | <u>207,367</u> | <u>413,252</u> | <u>534,913</u> |
| <b>Net current assets</b>                    |       | <u>92,240</u>  | <u>145,174</u> | <u>102,854</u> | <u>149,659</u> |
| <b>Total assets less current liabilities</b> |       | <u>145,172</u> | <u>196,749</u> | <u>162,163</u> | <u>209,939</u> |
| <b>Non-current liabilities</b>               |       |                |                |                |                |
| Bank loans                                   | 22    | –              | –              | 3,295          | 2,106          |
| Finance lease payable                        | 25    | 2,840          | 2,517          | 1,125          | 756            |
| Deferred tax liabilities                     | 26    | 3,787          | 8,464          | 15,215         | 19,517         |
|  |       | <u>6,627</u>   | <u>10,981</u>  | <u>19,635</u>  | <u>22,379</u>  |
| <b>Net assets</b>                            |       | <u>138,545</u> | <u>185,768</u> | <u>142,528</u> | <u>187,560</u> |
| <b>Capital and reserves</b>                  |       |                |                |                |                |
| Issued capital                               | 28    | 51,974         | 51,974         | 125,472        | 125,472        |
| Retained earnings                            |       | 47,229         | 71,964         | 98,603         | 138,165        |
| Other reserves                               | 29    | 6,190          | 7,188          | (81,547)       | (76,077)       |
| Equity attributable to owners of the Company |       | 105,393        | 131,126        | 142,528        | 187,560        |
| Non-controlling interests                    |       | 33,152         | 54,642         | –              | –              |
| <b>Total equity</b>                          |       | <u>138,545</u> | <u>185,768</u> | <u>142,528</u> | <u>187,560</u> |

The financial positions of CW Group Holdings Limited have not been presented as the Company was incorporated on 11 June 2010 and has a share capital and cash balance of Hong Kong cents 1 as at 31 December 2010 and 30 September 2011, respectively.



### Combined Statements of Changes in Equity

|  | Attributable to owners of the Company |                   |                       |                | Non-controlling interests | Total          |
|--|---------------------------------------|-------------------|-----------------------|----------------|---------------------------|----------------|
|  | Issued capital                        | Retained earnings | Other reserves        | Total          |                           |                |
| Note   | HK\$'000<br>(Note 28)                 | HK\$'000          | HK\$'000<br>(Note 29) | HK\$'000       | HK\$'000                  | HK\$'000       |
| Balance at 1 January 2008  | 18,405                                | 22,108            | (941)                 | 39,572         | 15,156                    | 54,728         |
| Profit for the year  | -                                     | 25,640            | -                     | 25,640         | 15,965                    | 41,605         |
| Exchange differences on translation of foreign operations                                      | -                                     | -                 | 6,612                 | 6,612          | 2,371                     | 8,983          |
| <b>Total comprehensive income for the year</b>   | -                                     | 25,640            | 6,612                 | 32,252         | 18,336                    | 50,588         |
| <i>Contributions by and distributions to owners</i>  |                                       |                   |                       |                |                           |                |
| Transfer to statutory reserves   | -                                     | (519)             | 519                   | -              | -                         | -              |
| Dividends  | 12                                    | -                 | -                     | -              | (340)                     | (340)          |
| <b>Total contributions by and distributions to owners</b>                                      | -                                     | (519)             | 519                   | -              | (340)                     | (340)          |
| <i>Changes in ownership interests in subsidiaries</i>  |                                       |                   |                       |                |                           |                |
| Issue of shares of SG Tech Holdings Limited in connection with the acquisition of subsidiaries | 33,569                                | -                 | -                     | 33,569         | -                         | 33,569         |
| <b>Total changes in ownership interests in subsidiaries</b>                                    | 33,569                                | -                 | -                     | 33,569         | -                         | 33,569         |
| <b>Total transactions with owners in their capacity as owners</b>                              | 33,569                                | (519)             | 519                   | 33,569         | (340)                     | 33,229         |
| <b>Balance at 31 December 2008</b>   | <u>51,974</u>                         | <u>47,229</u>     | <u>6,190</u>          | <u>105,393</u> | <u>33,152</u>             | <u>138,545</u> |

|   | Attributable to owners of the Company |                   |                | Total          | Non-controlling interests | Total          |
|---|---------------------------------------|-------------------|----------------|----------------|---------------------------|----------------|
|   | Issued capital                        | Retained earnings | Other reserves |                |                           |                |
|   | HK\$'000                              | HK\$'000          | HK\$'000       | HK\$'000       | HK\$'000                  | HK\$'000       |
|   | (Note 28)                             |                   | (Note 29)      |                |                           |                |
| Balance at 1 January 2009   | 51,974                                | 47,229            | 6,190          | 105,393        | 33,152                    | 138,545        |
| Profit for the year   | -                                     | 24,939            | -              | 24,939         | 21,511                    | 46,450         |
| Exchange differences on translation of foreign operations   | -                                     | -                 | 794            | 794            | (21)                      | 773            |
| <b>Total comprehensive income for the year</b>  | -                                     | 24,939            | 794            | 25,733         | 21,490                    | 47,223         |
| <i>Contributions by and distributions to owners</i>   |                                       |                   |                |                |                           |                |
| Transfer to statutory reserves  | -                                     | (204)             | 204            | -              | -                         | -              |
| <b>Total contributions by and distribution to owners, representing total transactions with owners in their capacity as owners</b> | -                                     | (204)             | 204            | -              | -                         | -              |
| <b>Balance at 31 December 2009</b>  | <b>51,974</b>                         | <b>71,964</b>     | <b>7,188</b>   | <b>131,126</b> | <b>54,642</b>             | <b>185,768</b> |

|   |   | Attributable to owners of the Company |               |                 |                | Non-        |                |
|---|---|---------------------------------------|---------------|-----------------|----------------|-------------|----------------|
|   |   | Issued                                | Retained      | Other           | Total          | controlling | Total          |
|   |   | capital                               | earnings      | reserves        |                | interests   |                |
| Notes   |   | HK\$'000                              | HK\$'000      | HK\$'000        | HK\$'000       | HK\$'000    | HK\$'000       |
|   |   | (Note 28)                             |               | (Note 29)       |                |             |                |
|   | Balance at 1 January 2010   | 51,974                                | 71,964        | 7,188           | 131,126        | 54,642      | 185,768        |
|   | Profit for the year   | -                                     | 26,852        | -               | 26,852         | 23,768      | 50,620         |
| 29  | Fair value of derivative  | -                                     | -             | (2,000)         | (2,000)        | -           | (2,000)        |
|   | Exchange differences on translation<br>of foreign operations          | -                                     | -             | 2,673           | 2,673          | -           | 2,673          |
|   | <b>Total comprehensive income for the year</b>                        | -                                     | 26,852        | 673             | 27,525         | 23,768      | 51,293         |
| <i>Contributions by and distributions to owners</i>   |   |                                       |               |                 |                |             |                |
|   | Shares buyback  | (3,635)                               | -             | -               | (3,635)        | -           | (3,635)        |
|   | Issuance of new shares  | 19,563                                | -             | -               | 19,563         | -           | 19,563         |
|   | Transfer to statutory reserves  | -                                     | (213)         | 213             | -              | -           | -              |
|   | Capital contribution  | -                                     | -             | 391             | 391            | -           | 391            |
| 12  | Dividends   | -                                     | -             | -               | -              | (75,516)    | (75,516)       |
|   | <b>Total contributions by and distribution<br/>to owners</b>          | 15,928                                | (213)         | 604             | 16,319         | (75,516)    | (59,197)       |
| <i>Changes in ownership interests in subsidiaries</i> |   |                                       |               |                 |                |             |                |
|   | Acquisition of non-controlling interests                              | 57,570                                | -             | (90,012)        | (32,442)       | (2,894)     | (35,336)       |
|   | <b>Total changes in ownership interests<br/>in subsidiaries</b>       | 57,570                                | -             | (90,012)        | (32,442)       | (2,894)     | (35,336)       |
|   | <b>Total transactions with owners in<br/>their capacity as owners</b> | 73,498                                | (213)         | (89,408)        | (16,123)       | (78,410)    | (94,533)       |
|   | <b>Balance at 31 December 2010</b>                                    | <u>125,472</u>                        | <u>98,603</u> | <u>(81,547)</u> | <u>142,528</u> | <u>-</u>    | <u>142,528</u> |

*Notes:*

- (i) On 15 May 2010, SG Tech Holdings Limited repurchased 90,000 own shares from a shareholder for cash consideration of S\$675,000 (equivalent to HK\$3,635,000).
- (ii) (a) On 13 July 2010, SG Tech Holdings Limited issued 500,000 new shares to WMS Holding Pte Ltd for a consideration of S\$500,000 (equivalent to HK\$3,063,000).
- (b) On 13 July 2010, SG Tech Holdings Limited issued 137,906 new shares to Septwolves Group (Asia) Investments Limited for a consideration of HK\$16,500,000.
- (iii) On 8 November 2010, SG Tech Holdings Limited entered into an agreement with Mr. Fu Junwu to acquire the balance 49% stake in Fu Yang International Co., Ltd (BVI). As part of the purchase consideration, on 14 December 2010, SG Tech Holdings Limited issued 800,000 shares to Mr. Fu Junwu at the consideration of S\$9,481,000 (equivalent to HK\$57,570,000).

|   | Attributable to owners of the Company |                      |                       |              | Non-<br>controlling<br>interests | Total         |                |
|---|---------------------------------------|----------------------|-----------------------|--------------|----------------------------------|---------------|----------------|
|   | Issued<br>capital                     | Retained<br>earnings | Other<br>reserves     | Total        |                                  |               |                |
| Notes   | HK\$'000<br>(Note 28)                 | HK\$'000             | HK\$'000<br>(Note 29) | HK\$'000     | HK\$'000                         | HK\$'000      |                |
| Balance at 1 January 2010   | 51,974                                | 71,964               | 7,188                 | 131,126      | 54,642                           | 185,768       |                |
| Profit for the period   | -                                     | 560                  | -                     | 560          | 18,710                           | 19,270        |                |
| Fair value of derivative  | -                                     | -                    | (2,000)               | (2,000)      | -                                | (2,000)       |                |
| Exchange differences on translation<br>of foreign operations  | -                                     | -                    | (3,063)               | (3,063)      | 2,531                            | (532)         |                |
| <b>Total comprehensive income for the year</b>  | -                                     | 560                  | (5,063)               | (4,503)      | 21,241                           | 16,738        |                |
| <i>Contributions by and distributions to owners</i>   |                                       |                      |                       |              |                                  |               |                |
| Shares buyback  | (i)                                   | (3,635)              | -                     | -            | (3,635)                          | -             | (3,635)        |
| Issuance of new shares  | (ii)                                  | 19,563               | -                     | -            | 19,563                           | -             | 19,563         |
| Transfer to statutory reserves  |                                       | -                    | (213)                 | 213          | -                                | -             | -              |
| Capital contribution  |                                       | -                    | -                     | 391          | 391                              | -             | 391            |
| Dividends   | 12                                    | -                    | -                     | -            | (33,553)                         | (33,553)      | (33,553)       |
| <b>Total contributions by and<br/>distribution to owners, representing<br/>total transactions with owners in<br/>their capacity as owners</b> |                                       | 15,928               | (213)                 | 604          | 16,319                           | (33,553)      | (17,234)       |
| <b>Balance at 30 September 2010 (Unaudited)</b>   |                                       | <u>67,902</u>        | <u>72,311</u>         | <u>2,729</u> | <u>142,942</u>                   | <u>42,330</u> | <u>185,272</u> |

*Notes:*

- (i) On 15 May 2010, SG Tech Holdings Limited repurchased 90,000 own shares from a shareholder for cash consideration of S\$675,000 (equivalent to HK\$3,635,000).
- (ii) (a) On 13 July 2010, SG Tech Holdings Limited issued 500,000 new shares to WMS Holding Pte Ltd for a consideration of S\$500,000 (equivalent to HK\$3,063,000).
- (b) On 13 July 2010, SG Tech Holdings Limited issued 137,906 new shares to Septwolves Group (Asia) Investments Limited for a consideration of HK\$16,500,000.

|   | Attributable to owners of the Company                 |                                      |   | Non-controlling interests |                          |                |
|---|---|--------------------------------------|---|---------------------------|--------------------------|----------------|
|   | Issued capital<br><i>HK\$'000</i><br><i>(Note 28)</i> | Retained earnings<br><i>HK\$'000</i> | Other reserves<br><i>HK\$'000</i><br><i>(Note 29)</i> | Total<br><i>HK\$'000</i>  | Total<br><i>HK\$'000</i> |                |
| Balance at 1 January 2011   | 125,472   | 98,603                               | (81,547)  | 142,528                   | -                        | 142,528        |
| Profit for the period   | -   | 39,766                               | -   | 39,766                    | -                        | 39,766         |
| Fair value change of derivative   | -   | -                                    | -   | -                         | -                        | -              |
| Exchange differences on translation of foreign operations   | -   | -                                    | 5,266   | 5,266                     | -                        | 5,266          |
| <b>Total comprehensive income for the year</b>  | -   | 39,766                               | 5,266   | 45,032                    | -                        | 45,032         |
| <i>Contributions by and distributions to owners</i>   |   |                                      |   |                           |                          |                |
| Transfer to statutory reserves  | -   | (204)                                | 204   | -                         | -                        | -              |
| <b>Total contributions by and distribution to owners, representing total transactions with owners in their capacity as owners</b> | -   | (204)                                | 204   | -                         | -                        | -              |
| <b>Balance at 30 September 2011</b>   | <u>125,472</u>  | <u>138,165</u>                       | <u>(76,077)</u>                                       | <u>187,560</u>            | <u>-</u>                 | <u>187,560</u> |

## Combined Statements of Cash Flows

|  | Notes | Year ended 31 December |                  |                  | 9 months ended<br>30 September  |                  |
|--|-------|------------------------|------------------|------------------|---------------------------------|------------------|
|  |       | 2008<br>HK\$'000       | 2009<br>HK\$'000 | 2010<br>HK\$'000 | 2010<br>HK\$'000<br>(Unaudited) | 2011<br>HK\$'000 |
| <b>Cash flows from operating activities</b>                                    |       |                        |                  |                  |                                 |                  |
| Profit before tax  |       | 49,747                 | 60,629           | 71,364           | 32,639                          | 57,238           |
| Adjustments for:   |       |                        |                  |                  |                                 |                  |
| Amortisation of prepaid land<br>lease payments                                 | 8     | –                      | 12               | 12               | 9                               | 9                |
| Depreciation   | 8     | 2,671                  | 3,432            | 3,904            | 2,670                           | 3,173            |
| Inventory written off  | 8     | –                      | –                | 66               | –                               | –                |
| Allowance for inventories  | 8     | –                      | –                | 234              | –                               | –                |
| Allowance for/(write-back of)<br>impairment on doubtful debts                  | 8     | 227                    | (147)            | 269              | 165                             | 1,066            |
| Loss on disposal of property,<br>plant and equipment, net                      | 8     | 1                      | 28               | 3                | 3                               | 32               |
| Interest income  | 6     | (815)                  | (450)            | (443)            | (386)                           | (403)            |
| Amortised interest on<br>redeemable convertible loan                           | 7     | –                      | –                | 18,425           | 12,274                          | 16,285           |
| Fair value change of embedded<br>derivative liabilities                        | 7     | –                      | –                | 19,185           | 15,672                          | (1,678)          |
| Gain on derecognition of<br>redeemable convertible loan                        | 7     | –                      | –                | (13,523)         | (13,523)                        | –                |
| Finance costs  |       | 4,521                  | 4,053            | 4,582            | 3,483                           | 3,865            |
| Write-back of unutilised<br>leave provision                                    | 8     | (94)                   | –                | –                | 75                              | 209              |
| Cash flows from operating<br>activities before movements<br>in working capital |       | 56,258                 | 67,557           | 104,078          | 53,081                          | 79,796           |
| Movements in working capital:  |       |                        |                  |                  |                                 |                  |
| Trade receivables  |       | (35,631)               | (6,155)          | (88,015)         | (59)                            | (243,514)        |
| Other receivables  |       | (3,578)                | (30,738)         | (28,766)         | (143,382)                       | 3,837            |
| Inventories  |       | 3,458                  | 3,373            | (5,722)          | 1,419                           | (10,055)         |
| Trade payables   |       | 38,995                 | (1,246)          | 70,410           | 12,360                          | 156,442          |
| Other payables and accruals  |       | (40,776)               | 25,912           | (23,064)         | 27,413                          | (2,976)          |
| Cash generated from operations   |       | 18,726                 | 58,703           | 28,921           | (49,168)                        | (16,470)         |
| Income taxes paid  |       | (7,176)                | (12,126)         | (12,957)         | (7,649)                         | (11,699)         |
| Net cash flows generated from/<br>(used in) operating activities               |       | 11,550                 | 46,577           | 15,964           | (56,817)                        | (28,169)         |
| <b>Cash flows from investing activities</b>                                    |       |                        |                  |                  |                                 |                  |
| Interest received  | 6     | 815                    | 450              | 443              | 386                             | 403              |
| Purchase of property,<br>plant and equipment                                   | (i)   | (4,646)                | (4,383)          | (9,731)          | (5,868)                         | (3,397)          |
| Payment for land use rights  | 15    | (761)                  | –                | –                | –                               | –                |
| Proceeds from disposal of<br>property, plant and equipment                     |       | 3                      | 3                | 45               | 45                              | 1,297            |
| Decrease/(increase)<br>in pledged deposits                                     |       | 4,814                  | 177              | 393              | 443                             | 3,924            |
| Net cash flows (used in)/generated<br>from investing activities                |       | 225                    | (3,753)          | (8,850)          | (4,994)                         | 2,227            |

|  | Year ended 31 December |                  |                  | 9 months ended<br>30 September |                  |                  |
|--|------------------------|------------------|------------------|--------------------------------|------------------|------------------|
|  | Notes                  | 2008<br>HK\$'000 | 2009<br>HK\$'000 | 2010<br>HK\$'000               | 2010<br>HK\$'000 | 2011<br>HK\$'000 |
|  |                        |                  |                  | (Unaudited)                    |                  |                  |
| <b>Cash flows from financing activities</b>                          |                        |                  |                  |                                |                  |                  |
| Interest and finance charges paid                                    |                        | (4,521)          | (4,053)          | (4,582)                        | (3,483)          | (3,865)          |
| Repayment of obligations under finance leases                        |                        | (1,176)          | (1,653)          | (1,761)                        | (1,314)          | (1,182)          |
| Payment of shares buyback  |                        | -                | -                | (3,635)                        | (3,635)          | -                |
| Proceeds from redeemable convertible loan                            |                        | -                | -                | 50,027                         | 50,027           | -                |
| Proceeds from issuance of shares                                     |                        | -                | -                | 19,563                         | 19,563           | -                |
| Dividends paid to non-controlling interests                          |                        | -                | -                | (33,820)                       | (33,553)         | -                |
| Repayment of bank loans  |                        | (17,875)         | (20,273)         | (8,321)                        | (7,329)          | (11,031)         |
| Proceeds from bank loans   |                        | 20,269           | 20,491           | 10,174                         | 10,174           | -                |
| Consideration for the acquisition of non-controlling interests       |                        | -                | -                | -                              | -                | (35,336)         |
| Net cash flows (used in)/generated from financing activities         |                        | <u>(3,303)</u>   | <u>(5,488)</u>   | <u>27,645</u>                  | <u>30,450</u>    | <u>(51,414)</u>  |
| <b>Net increase/(decrease) in cash and cash equivalents</b>          |                        | 8,472            | 37,336           | 34,759                         | (31,361)         | (77,356)         |
| Cash and cash equivalents at the beginning of year                   |                        | 18,623           | 31,766           | 70,599                         | 70,599           | 114,045          |
| Effect of exchange rate changes, net                                 |                        | 4,671            | 1,497            | 8,687                          | 7,845            | 2,447            |
| <b>Cash and cash equivalents at the end of year/period</b>           |                        | <u>31,766</u>    | <u>70,599</u>    | <u>114,045</u>                 | <u>47,083</u>    | <u>39,136</u>    |
| <b>Analysis of balances of cash and cash equivalents consist of:</b> |                        |                  |                  |                                |                  |                  |
| Cash and bank balances   | 21                     | 34,465           | 73,389           | 115,413                        | 50,267           | 39,137           |
| Bank overdrafts  | 22                     | <u>(2,699)</u>   | <u>(2,790)</u>   | <u>(1,368)</u>                 | <u>(3,184)</u>   | <u>(1)</u>       |
| Cash and cash equivalents  |                        | <u>31,766</u>    | <u>70,599</u>    | <u>114,045</u>                 | <u>47,083</u>    | <u>39,136</u>    |

Note:

- (i) Purchase of property, plant and equipment

Property, plant and equipment were purchased by:

|               |            |            |          |          |          |
|---------------|------------|------------|----------|----------|----------|
| Cash payments | 4,646      | 4,383      | 9,731    | 5,868    | 3,397    |
| Finance Lease | <u>181</u> | <u>218</u> | <u>-</u> | <u>-</u> | <u>-</u> |

|    |              |              |              |              |              |
|----|--------------|--------------|--------------|--------------|--------------|
| 14 | <u>4,827</u> | <u>4,601</u> | <u>9,731</u> | <u>5,868</u> | <u>3,397</u> |
|----|--------------|--------------|--------------|--------------|--------------|

## II. NOTES TO THE FINANCIAL INFORMATION

### 1. Corporate Information

The Company is a limited liability company incorporated in the Cayman Islands. The registered office of the Company is located at Clifton Houses, 75 Fort Street, PO Box 1350, Grand Cayman, Ky1-1108, Cayman Islands. The Company's principal place of business is located at 2201-2203, 22nd floor, World Wide House, Central, Hong Kong.

The Company is an investment holding company. The Company and its subsidiaries now comprising the Group underwent the Reorganisation as set out in paragraph headed "History and Development" in the section headed "Company History and Reorganisation" to the Prospectus.

As at the end of the Relevant Periods, the Company had direct and indirect interests in its subsidiaries, the particulars of which are set out below:

| Name of subsidiary  | Legal form,<br>date and place<br>of incorporation/<br>establishment/operations | Issued and<br>fully paid<br>share capital/<br>registered capital | Attributable<br>equity<br>interest of<br>the Group | Principal activities   |
|---|--|--|--|--|
| <i>Directly held:</i>   |  |  |  |  |
| SG (BVI) Limited<br>(formerly known as<br>Goldgain Pacific Limited) | Limited liability company<br>18 May 2010<br>British Virgin Islands             | Ordinary shares<br>US\$100                                       | 100%   | Investment holding   |
| <i>Indirectly held:</i>   |  |  |  |  |
| SG Tech Holdings Limited  | Limited private company<br>6 August 2007<br>Singapore                          | Ordinary shares<br>S\$21,867,698                                 | 100%   | Investment holding   |
| CW Group Pte. Ltd.  | Limited private company<br>28 May 1996<br>Singapore                            | Ordinary shares<br>S\$9,651,621                                  | 100%   | Manufacture of dies, moulds,<br>tools, jigs and fixtures and<br>wholesale of industrial<br>machinery and equipment |
| CW International<br>(S) Pte. Ltd.                                   | Limited private company<br>20 April 2004<br>Singapore                          | Ordinary shares<br>S\$10,000                                     | 100%   | Investment holding   |
| 創興機械設備(上海)<br>有限公司  | Wholly owned<br>foreign enterprise<br>18 May 2005                              | Registered capital<br>US\$1,000,000                              | 100%   | Dealing in industrial<br>machinery and equipment,  |
| CW International<br>(Shanghai) Co., Ltd. <sup>(1)</sup>             | People's Republic<br>of China ("PRC")  | Paid-up capital<br>US\$1,000,000                                 |  | technical testing and<br>analysis services   |



| Name of subsidiary   | Legal form,<br>date and place<br>of incorporation/<br>establishment/operations | Issued and<br>fully paid<br>share capital/<br>registered capital    | Attributable<br>equity<br>interest of<br>the Group | Principal activities  |
|--|--|---|--|---|
| <i>Indirectly held:</i>  |  |   |  |   |
| CW Tech Pte. Ltd.  | Limited private company<br>26 October 2004<br>Singapore                        | Ordinary shares<br>S\$6,351,624                                     | 100%   | Investment holding  |
| FNW International Pte. Ltd.  | Limited private company<br>6 March 2007<br>Singapore                           | Ordinary shares<br>S\$100   | 100%   | Investment holding  |
| FNW International Limited<br>(formerly known as City<br>Eagle Investments Limited)     | Limited liability company<br>8 June 2010<br>British Virgin Islands             | US\$100   | 100%   | Investment holding  |
| Fu Yang International Co., Ltd.  | Limited liability company<br>20 April 2001<br>British Virgin Islands           | Ordinary shares<br>US\$100  | 100%   | Investment holding  |
| 天津菲斯特機械設備<br>有限公司<br>Tianjin FeiSiTe<br>Machinery Co., Ltd. <sup>(1)</sup>             | Wholly owned foreign enterprise<br>14 August 2003<br>PRC                       | Registered and<br>paid-up capital<br>US\$3,650,500                  | 100%   | Dealing in industrial<br>machinery and equipment<br>and providing industrial<br>technical consultancy<br>services |
| CW Advanced<br>Technologies Pte. Ltd.  | Limited private company<br>27 February 2003<br>Singapore                       | Ordinary shares<br>S\$450,000                                       | 100%   | Dealing in industrial<br>machinery and equipment<br>and providing industrial<br>technical consultancy<br>services |
| 塑鼎貿易(上海)<br>有限公司<br>SD Trading (Shanghai)<br>Co., Ltd. <sup>(1)</sup>                  | Wholly owned<br>foreign enterprise<br>26 February 2004<br>PRC                  | Registered capital<br>US\$140,000<br>Paid-up capital<br>US\$140,000 | 100%   | Dealing in industrial<br>machinery and equipment,<br>technical testing and<br>analysis services                   |
| CW International<br>(M) Sdn. Bhd.  | Limited liability company<br>25 July 2005<br>Malaysia                          | Ordinary shares<br>RM510,002  | 100%   | Inactive  |
| SG Technologies Pte.<br>Ltd. (formerly known<br>as SD Industrial<br>Trading Pte. Ltd.) | Limited private company<br>26 October 2004<br>Singapore                        | Ordinary shares<br>S\$100,002                                       | 100%   | Dealing in industrial<br>machinery and equipment,<br>technical testing and<br>analysis services                   |

<sup>(1)</sup> The English translation of the company names is for reference only. The official names of these companies are in Chinese.

No statutory audited financial statements have been prepared for Fu Yang International Co., Ltd., FNW International Limited and SG (BVI) Limited since their respective dates of incorporation as they were incorporated in a jurisdiction where there are no statutory audit requirements.

The statutory financial statements of SG Tech Holdings Limited, CW Group Pte. Ltd., CW Advanced Technologies Pte. Ltd., CW International (S) Pte. Ltd., CW Tech Pte. Ltd., SG Technologies Pte. Ltd. and FNW International Pte. Ltd. were prepared in accordance with accounting principles generally accepted in Singapore. The statutory financial statements of these companies for the respective financial years were audited by the following auditors:

| Financial year end          | Auditors  |
|-----------------------------|---|
| Year ended 31 December 2008 | Deloitte & Touche LLP, certified public accountants registered in Singapore   |
| Year ended 31 December 2009 | HLB Loke Lum & Partners, certified public accountants registered in Singapore |
| Year ended 31 December 2010 | Ernst & Young LLP, certified public accountants registered in Singapore       |

The statutory financial statements of CW International (M) Sdn. Bhd. for the years ended 31 December 2008, 2009 and 2010 were prepared in accordance with accounting principles generally accepted in Malaysia. The statutory financial statements of CW International (M) Sdn. Bhd. for the years ended 31 December 2008, 2009 and 2010 were audited by Cheng & Co., certified public accountants registered in Malaysia.

The statutory financial statements of CW International (Shanghai) Co., Ltd. and SD Trading (Shanghai) Co., Ltd. for the years ended 31 December 2008, 2009 and 2010 were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises established in the PRC. The statutory financial statements of CW International (Shanghai) Co., Ltd. and SD Trading (Shanghai) Co., Ltd. for the years ended 31 December 2008 were audited by 華夏會計師事務所, certified public accountants registered in the PRC. The statutory financial statements of CW International (Shanghai) Co., Ltd. and SD Trading (Shanghai) Co., Ltd. for the years ended 31 December 2009 and 2010 were audited by 上海榮業會計師事務所, certified public accountants registered in the PRC.

The statutory financial statements of Tianjin FeiSiTe Machinery Co., Ltd. for the years ended 31 December 2008, 2009 and 2010 were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises established in the PRC and were audited by 天津正泰有限責任會計師事務所, certified public accountants registered in the PRC.

## 2.1 Basis of Presentation

Pursuant to the Reorganisation as explained in the paragraph headed "History and Development" in the section headed "Company History and Reorganisation" to the Prospectus, the Company became the holding company of the companies now comprising the Group on 13 March 2012. For the purpose of this report, the Financial Information has been prepared on a combined basis by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the Relevant Periods.

The combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for the Relevant Periods include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date when the subsidiaries and/or businesses first came under the common control of the controlling shareholders, where this is a shorter period. The combined statements of financial position of the Group as at 31 December 2008, 2009 and 2010, and 30 September 2011 have been prepared to present the assets and liabilities of the subsidiaries and/or businesses using the existing book values from the controlling shareholders' perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of Reorganisation.

Equity interests in subsidiaries and/or businesses held by parties other than the controlling shareholders, and changes therein, prior to the Reorganisation are presented as non-controlling interests in equity in applying the principles of merger accounting.

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

## 2.2 Basis of Preparation

The Financial Information has been prepared in accordance with IFRS (which include all International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations) issued by the IASB.

The IASB issued a number of new or revised IFRSs which are generally effective for annual periods beginning on or after 1 January 2008, 1 January 2009, 1 January 2010 and 1 January 2011.

For the purpose of preparing and presenting the Financial Information, the Group has early adopted all these new and revised IFRSs that are relevant to the Group's operations as at the beginning of the Relevant Periods.

The Financial Information has been prepared under the historical cost convention, except for derivative financial instruments which have been measured at fair value. The Financial Information is presented in Hong Kong Dollars ("HK\$") and all values are rounded to the nearest thousand except when otherwise indicated.

## 2.3 Impact of Issued but not yet Effective IFRSs

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective, in the Financial Information.

|                   |  |
|-------------------|--|
| IFRS 7 Amendments | Amendments to IFRS 7 Financial Instruments: Disclosures – Transfers of Financial Assets <sup>1</sup> |
| IFRS 9            | Financial Instruments <sup>4</sup>   |
| IFRS 10           | Consolidated Financial Statements <sup>4</sup>   |
| IFRS 11           | Joint Arrangements <sup>4</sup>  |
| IFRS 12           | Disclosure of Interests in Other Entities <sup>4</sup>   |
| IFRS 13           | Fair Value Measurement <sup>4</sup>  |
| IAS 1 Amendments  | Amendments to IAS 1 Presentation of Financial Statements <sup>3</sup>                                |
| IAS 12 Amendments | Amendments to IAS 12 Income Taxes – Deferred Tax: Recovery of Underlying Assets <sup>2</sup>         |
| IAS 19 Amendments | Amendments to IAS 19 Employee Benefits <sup>4</sup>  |
| IAS 27 (Revised)  | Separate Financial Statements <sup>4</sup>   |
| IAS 28 (Revised)  | Investments in Associates and Joint Ventures <sup>4</sup>  |
| IAS 32 Amendments | Offsetting Financial Assets and Financial Liabilities <sup>5</sup>                                   |

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2011

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2012

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2012

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2013

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2014

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, the Group considers that these new and revised IFRSs are unlikely to have a significant impact on the Group's results and financial position.

IFRS 7 Amendments introduce more extensive quantitative and qualitative disclosure requirements regarding transfer transactions of financial assets (e.g., securitisations), including information for understanding the possible effects of any risks that may remain with the Group that transferred the assets.

IFRS 9 is the first part of phase 1 of a comprehensive project to entirely replace IAS 39 Financial Instruments: Recognition and Measurement. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of IAS 39.

IFRS 10 establishes a single control model that applies to all entities including special purpose entities or structured entities. It includes a new definition of control which is used to determine which entities are consolidated. The changes introduced by IFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled, compared with the requirements in IAS 27 and SIC-Int 12 Consolidation – Special Purpose Entities.

IFRS 11 describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangements, i.e., joint operations and joint ventures, and removes the option to account for joint ventures using proportionate consolidation.

IFRS 12 includes the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities that are previously included in IAS 27 Consolidated and Separate Financial Statements, IAS 31 Interests in Joint Ventures and IAS 28 Investments in Associates. It also introduces a number of new disclosure requirements for these entities.

The Group has also adopted the consequential amendments made to IAS 27 and IAS 28 as a result of the issuance of the above new standards.

IFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The standard does not change when the Group is required to use fair value, but provides guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs.

IAS 1 Amendments change the grouping of items presented in Other Comprehensive Income. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, upon derecognition or settlement) are presented separately from items which will never be reclassified.

IAS 12 Amendments clarify the determination of deferred tax in investment property measured at fair value. The amendments introduce a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, the amendments introduce the requirement that deferred tax on non-depreciable assets, measured using the revaluation model in IAS 16, should always be measured on a sale basis of the assets.

IAS 19 Amendments introduces a number of changes in the accounting for pensions and other post-employment benefits that impact on the amount of net plan assets or liabilities for defined benefit pension plans and the results of entities with defined benefit pension plans. The standard also requires termination benefits outside of a wider restructuring to be recognised only when the offer becomes legally binding and cannot be withdrawn, and termination benefits under a wider restructuring to be recognised at the same time as the other restructuring costs.

IAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous.

### 3. Summary of Significant Accounting Policies

#### *Basis of combinations*

The Financial Information incorporates the financial statements of the Company and its subsidiaries for the Relevant Periods. The financial statements of the combining entities or businesses under common control are prepared for the same reporting period as the Company, using consistent accounting policies.

The merger method of accounting involves incorporating the financial statement items of the combining entities or businesses in which the common control combinations occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party. The net assets of the combining entities or businesses are combined using the existing book values. No amount is recognised in respect of goodwill or the excess of the acquirers' interest in the net fair value of acquirees' identifiable assets, liabilities and contingent liabilities over the cost of investment at the time of common control combination. The combined income statements include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under common control or since their respective dates of incorporation/establishment, where this is a shorter period, regardless of the date of the common control combination.

All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on combination.

#### *Business combinations and goodwill*

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets of the subsidiary acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

#### *Subsidiaries*

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

***Jointly-controlled entities***

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's investments in jointly-controlled entities are accounted for by the proportionate consolidation method, which involves recognising its share of the jointly-controlled entities' assets, liabilities, income and expense with similar items in the consolidated financial statements on a line-by-line basis. Unrealised gains and losses resulting from transactions between the Group and its jointly-controlled entities are eliminated to the extent of the Group's investments in the jointly-controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

***Impairment of non-financial assets (other than goodwill)***

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assets of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

***Related parties***

A related party is defined as follows:

- (a) A person or a close member of that person's family is related to the Group if that person:
  - (i) Has control or joint control over the Group;
  - (ii) Has significant influence over the Group; or
  - (iii) Is a member of the key management personnel of the Group or of a parent of the Group.

- (b) An entity is related to the Group if any of the following conditions applies:
- (i) The entity and the Group are members of the same group.
  - (ii) One entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group;
  - (vi) The entity is controlled or jointly-controlled by a person identified in (a);
  - (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

***Property, plant and equipment and depreciation***

Property, plant and equipment 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 profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciate them accordingly.

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 over its estimated useful life. The principal annual rates used for this purpose are as follows:

|  |               |
|--|---------------|
| Buildings                                | 1.48%         |
| Plant and machinery                      | 6% to 31.67%  |
| Renovation                               | 9% to 33.33%  |
| Office equipment, furniture and fittings | 18% to 33.33% |
| Computers                                | 18% to 33.33% |
| Motor vehicles                           | 9% to 20%     |

Assets under construction are not depreciated as these assets are not yet available for use.

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 least at each financial year end.

An item of property, plant and equipment and any significant part initially recognised 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 profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

### *Leases*

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

### *Investments and other financial assets*

#### *Initial recognition and measurement*

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group's financial assets include trade and other receivables, amounts due from related parties, pledged deposits, and cash and cash equivalents.

#### *Subsequent measurement*

The subsequent measurement of financial assets depends on their classification as follows:



*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in profit or loss. The loss arising from impairment is recognised in profit or loss in finance costs for loans and other expenses for receivables.

*Derecognition of financial assets*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the assets. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group’s continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

*Impairment of financial assets*

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred “loss event”) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

*Financial assets carried at amortised cost*

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss 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 credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to other expenses in profit or loss.

### ***Financial liabilities***

#### *Initial recognition and measurement*

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, amounts due to related parties, redeemable convertible loan, derivative financial instruments and interest-bearing bank and overdrafts and finance leases payables.

#### *Subsequent measurement*

The subsequent measurement of financial liabilities depends on their classification as follows:

#### *Loans and borrowings*

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

#### *Redeemable convertible loan*

The component of redeemable convertible loan that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. On issuance of redeemable convertible loan, the fair value of the liability component is determined using a market rate for an equivalent non-convertible loan; and this amount is carried on the amortised cost basis until extinguished on conversion or redemption.

If the conversion option of redeemable convertible loan exhibits characteristics of an embedded derivative, it is separated from its liability component. On initial recognition, the derivative component of the redeemable convertible loan is measured at fair value and presented as part of derivative financial instruments. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs are apportioned between the liability and derivative components of the redeemable convertible loan based on the allocation of proceeds to the liability and derivative components when the instruments are initially recognised. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in profit or loss.

#### ***Derecognition of financial liabilities***

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

#### ***Offsetting of financial instruments***

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

#### ***Fair value of financial instruments***

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

#### ***Inventories***

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work-in-progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

#### ***Cash and cash equivalents***

For the purpose of the combined statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the combined statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

***Provisions***

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Provisions for product warranties granted by the Group on certain products are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

***Government grants***

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

***Income tax***

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

### ***Revenue recognition***

Revenue is recognised when it is probable that the economic benefits will flow to the 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 the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (b) from the rendering of services, on the straight-line basis over the specified period of time as further explained in the accounting policy for "Rendering of services" below;
- (c) commission income for rendering of services is recognized when the services are rendered;
- (d) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset;
- (e) rental income, on a time proportion basis over the lease terms; and
- (f) dividend income, when the shareholders' right to receive payment has been established.

***Rendering of services***

Revenue from the rendering of services is recognised on a straight-line basis over the specified period of time as the services are performed by an indeterminate number of acts over a specified period of time as stated in the service contract.

***Employee benefits******Defined contribution plan***

The Group's subsidiaries which operate in Singapore make contributions to the Central Provident Fund ("CPF") scheme in Singapore, a defined contribution pension scheme. CPF contributions are recognised as an expense in the period in which the related service is performed.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. Contributions are made based on 20% of the employee's salary and are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

***Employee leave entitlement***

Employee entitlements to annual leave are recognised when they are accrued to employees. An accrual is made for the estimated liability for leave as a result of services rendered by employees up to the end of reporting period.

***Borrowing costs***

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

***Dividends***

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders, they are recognised as a liability.

***Foreign currencies***

The Financial Information is presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences arising on settlement or translation of monetary items are taken to profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on retranslation of a non-monetary item is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e. translation differences on items where fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries and jointly-controlled entities are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the combined statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

#### **4. Significant Accounting Judgements and Estimates**

The preparation of the Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

##### ***Judgements***

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the Financial Information:

##### ***(a) Impairment of assets***

In determining whether an asset is impaired or whether the event previously causing the impairment no longer exists, the Group has to exercise judgement in the area of asset impairment, particularly in assessing: (i) whether an event has occurred that may affect the asset value, or such an event affecting the asset value has not been in existence; (ii) whether the carrying value of an asset can be supported by the net present value of future cash flows, which are estimated based upon the continued use of the asset; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could have a material effect on the net present value used in the impairment test.

(b) *Determination of functional currencies*

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the entities in the Group, judgement is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices.

(c) *Income taxes*

Significant judgement is involved in determining the Group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities/(assets) for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(d) *Revenue recognition*

The Group recognizes revenue of its equipment on a gross basis as compared to net basis for equipment which the Group has entered into several distributorship agreements to source customers, customize and trade such equipment. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that revenue should be recognized on a gross basis. In making this judgment, the Group evaluates, among other factors, whether the Group has discretions in the selection of suppliers and setting of selling price, bears credit and inventory risks and whether the Group is the primary obligor in the arrangement.

(e) *Withholding tax provision on profit appropriation*

The Group provides for withholding taxes of 5% and 10% on its People's Republic of China ("PRC") subsidiaries' distributable profits generated from 1 January 2008 onwards in compliance with the PRC Corporate Tax Law. The Group has provided for such withholding taxes on the basis that the Group is expected to appropriate substantially the profits which the PRC subsidiaries generate in the foreseeable future. For the financial year ended 31 December 2008, 2009, 2010 and nine months period ended 30 September 2011, the amount provided were HK\$3,690,000, HK\$8,450,000, HK\$15,394,000 and HK\$19,902,000, respectively.

***Estimation uncertainty***

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

(a) *Impairment of loans and receivables*

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.



Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics.

Where the actual outcome or expectation in future is different from the original estimate, such differences will impact the carrying value of the receivables as well as impairment or write-back of impairment in the period in which such estimate has been changed.

The carrying amount of the Group's loans and receivables at the end of each reporting period is disclosed in Note 31(a) to the Financial Information. There is no material impact to the Group's profit for the year if the present value of estimated future cash flows decreased by 10% from management's estimate.

*(b) Impairment of non-financial assets (excluding goodwill)*

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

*(c) Depreciation of property, plant and equipment*

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these property, plant and equipment to be within 3 to 67 years. Changes in the expected level of usage could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

*(d) Fair value of financial instruments*

Where the fair values of financial instruments recorded on the combined statements of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flow model. The inputs to these models are derived from observable market data where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of liquidity and model inputs regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates. Changes in assumptions about these factors could affect the reported fair value of financial instruments. The valuation of financial instruments is described in more detail in Note 31(c).

*(e) Impairment of goodwill*

The Group determines whether goodwill is impaired at least on annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill is disclosed in Note 16 to the Financial Information.

**5. Operating Segment Information**

For management purposes, the Group is organised into business units based on their products and services and has five reportable operating segments as follows:

- (a) Precision engineering solutions projects – relates to provision of industrial solutions specific to machine tools and industrial machinery and equipment encompassing conceptualization and design to production set-up, commissioning and maintenance of production lines.
- (b) Sales of Computer Numeric Control (“CNC”) machining centres – relates to sales of precision engineering manufacturing equipment operable under CNC automation.
- (c) Sales of cement production equipment – relates to sales of equipment (rotor weighfeeders and clinker coolers) primarily for the construction materials industry.
- (d) Sales of components and parts – relates to sales of self-manufactured and trading of components and parts.
- (e) After-sales technical support services – relates to provision of repairs and maintenance services for the above segments.

Management monitors the results of the Group’s operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group’s profit before tax except that interest income, finance costs, dividend income, fair value gains/(losses) from the Group’s financial instruments as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, pledged deposits, cash and cash equivalents, equity investments at fair value through profit or loss, derivative financial instruments and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude derivative financial instruments, interest-bearing bank and other borrowings, the amount due to related company, redeemable convertible loan, tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

## Year ended 31 December 2008

|   | Precision<br>engineering<br>solution<br>projects<br><i>HK\$'000</i> | Sales of<br>CNC<br>machining<br>centres<br><i>HK\$'000</i> | Sales of<br>cement<br>production<br>equipment<br><i>HK\$'000</i> | Sales of<br>components<br>and parts<br><i>HK\$'000</i> | After-sales<br>technical<br>support<br>services<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|---|---|--|--|--|--|--------------------------|
| <b>Segment revenue:</b>                     |   |  |  |  |  |                          |
| Sales to external customers                 | 71,777  | 28,478   | 126,316  | 44,165   | 20,907   | 291,643                  |
| Intersegment sales                          | —   | 2,534  | —  | —  | —  | 2,534                    |
|   | 71,777  | 31,012   | 126,316  | 44,165   | 20,907   | 294,177                  |
| <i>Reconciliation:</i>                      |   |  |  |  |  |                          |
| Elimination of intersegment sales           |   |  |  |  |  | (2,534)                  |
| Revenue                                     |   |  |  |  |  | <u>291,643</u>           |
| <b>Segment results</b>                      | 17,603  | 5,593  | 34,710   | 14,869   | 20,231   | 93,006                   |
| <i>Reconciliation:</i>                      |   |  |  |  |  |                          |
| Interest income                             |   |  |  |  |  | 815                      |
| Unallocated other income and gains          |   |  |  |  |  | 2,687                    |
| Corporate and other unallocated expenses    |   |  |  |  |  | (42,240)                 |
| Finance costs                               |   |  |  |  |  | (4,521)                  |
| Profit before tax                           |   |  |  |  |  | <u>49,747</u>            |
| <b>Segment assets</b>                       | 52,994  | 22,769   | 44,761   | 39,315   | 6,611  | 166,450                  |
| <i>Reconciliation:</i>                      |   |  |  |  |  |                          |
| Corporate and other unallocated assets      |   |  |  |  |  | 163,916                  |
| Total assets                                |   |  |  |  |  | <u>330,366</u>           |
| <b>Segment liabilities</b>                  | 57,298  | 21,624   | 6,515  | 6,377  | 7,413  | 99,227                   |
| <i>Reconciliation:</i>                      |   |  |  |  |  |                          |
| Corporate and other unallocated liabilities |   |  |  |  |  | 92,594                   |
| Total liabilities                           |   |  |  |  |  | <u>191,821</u>           |
| <b>Other segment information:</b>           |   |  |  |  |  |                          |
| Other non-cash expenses*                    | 96  | —  | —  | (323)  | —  | (227)                    |
| Depreciation                                | —   | (409)  | (236)  | (400)  | (51)   | (1,096)                  |
| Capital expenditure**                       | —   | (158)  | (578)  | (11)   | —  | (747)                    |

## Year ended 31 December 2009

|   | Precision<br>engineering<br>solution<br>projects<br><i>HK\$'000</i> | Sales of<br>CNC<br>machining<br>centres<br><i>HK\$'000</i> | Sales of<br>cement<br>production<br>equipment<br><i>HK\$'000</i> | Sales of<br>components<br>and parts<br><i>HK\$'000</i> | After-sales<br>technical<br>support<br>services<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|---|---|--|--|--|--|--------------------------|
| <b>Segment revenue:</b>                     |   |  |  |  |  |                          |
| Sales to external customers                 | 87,058  | 14,133   | 147,603  | 15,101   | 25,816   | 289,711                  |
| Intersegment sales                          | 3,106   | 2,637  | –  | 3,820  | 463  | 10,026                   |
|   | 90,164  | 16,770   | 147,603  | 18,921   | 26,279   | 299,737                  |
| <i>Reconciliation:</i>                      |   |  |  |  |  |                          |
| Elimination of intersegment sales           |   |  |  |  |  | (10,026)                 |
| Revenue                                     |   |  |  |  |  | <u>289,711</u>           |
| <b>Segment results</b>                      | 22,465  | 20   | 53,699   | 3,710  | 24,947   | 104,841                  |
| <i>Reconciliation:</i>                      |   |  |  |  |  |                          |
| Interest income                             |   |  |  |  |  | 450                      |
| Unallocated other income and gains          |   |  |  |  |  | 3,699                    |
| Corporate and other unallocated expenses    |   |  |  |  |  | (44,308)                 |
| Finance costs                               |   |  |  |  |  | (4,053)                  |
| Profit before tax                           |   |  |  |  |  | <u>60,629</u>            |
| <b>Segment assets</b>                       | 86,920  | 20,053   | 27,546   | 33,156   | 4,352  | 172,027                  |
| <i>Reconciliation:</i>                      |   |  |  |  |  |                          |
| Corporate and other unallocated assets      |   |  |  |  |  | 232,089                  |
| Total assets                                |   |  |  |  |  | <u>404,116</u>           |
| <b>Segment liabilities</b>                  | 54,217  | 12,837   | 3,101  | 8,025  | 3,797  | 81,977                   |
| <i>Reconciliation:</i>                      |   |  |  |  |  |                          |
| Corporate and other unallocated liabilities |   |  |  |  |  | 136,371                  |
| Total liabilities                           |   |  |  |  |  | <u>218,348</u>           |
| <b>Other segment information:</b>           |   |  |  |  |  |                          |
| Other non-cash expenses*                    | 173   | (223)  | –  | (126)  | 323  | 147                      |
| Depreciation                                | –   | (409)  | (236)  | (400)  | (51)   | (1,096)                  |
| Capital expenditure**                       | –   | (1,447)  | (227)  | (619)  | –  | (2,293)                  |

## Year ended 31 December 2010

|   | Precision<br>engineering<br>solution<br>projects<br><i>HK\$'000</i> | Sales of<br>CNC<br>machining<br>centres<br><i>HK\$'000</i> | Sales of<br>cement<br>production<br>equipment<br><i>HK\$'000</i> | Sales of<br>components<br>and parts<br><i>HK\$'000</i> | After-sales<br>technical<br>support<br>services<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|---|---|--|--|--|--|--------------------------|
| <b>Segment revenue:</b>                     |   |  |  |  |  |                          |
| Sales to external customers                 | 196,493   | 48,134   | 178,316  | 23,430   | 23,077   | 469,450                  |
| Intersegment sales                          | 601   | 1,786  | –  | 1,984  | –  | 4,371                    |
|   | 197,094   | 49,920   | 178,316  | 25,414   | 23,077   | 473,821                  |
| <i>Reconciliation:</i>                      |   |  |  |  |  |                          |
| Elimination of intersegment sales           |   |  |  |  |  | (4,371)                  |
| Revenue                                     |   |  |  |  |  | <u>469,450</u>           |
| <b>Segment results</b>                      | 40,450  | 7,392  | 72,436   | 2,465  | 22,232   | 144,975                  |
| <i>Reconciliation:</i>                      |   |  |  |  |  |                          |
| Interest income                             |   |  |  |  |  | 443                      |
| Unallocated other income and gains          |   |  |  |  |  | 1,621                    |
| Corporate and other unallocated expenses    |   |  |  |  |  | (47,006)                 |
| Finance costs                               |   |  |  |  |  | (28,669)                 |
| Profit before tax                           |   |  |  |  |  | <u>71,364</u>            |
| <b>Segment assets</b>                       | 144,642   | 24,629   | 53,872   | 41,895   | 4,124  | 269,162                  |
| <i>Reconciliation:</i>                      |   |  |  |  |  |                          |
| Corporate and other unallocated assets      |   |  |  |  |  | 306,253                  |
| Total assets                                |   |  |  |  |  | <u>575,415</u>           |
| <b>Segment liabilities</b>                  | 107,028   | 17,678   | 15,709   | 16,282   | 4,075  | 160,772                  |
| <i>Reconciliation:</i>                      |   |  |  |  |  |                          |
| Corporate and other unallocated liabilities |   |  |  |  |  | 272,115                  |
| Total liabilities                           |   |  |  |  |  | <u>432,887</u>           |
| <b>Other segment information:</b>           |   |  |  |  |  |                          |
| Other non-cash expenses*                    | (292)   | 45   | –  | (22)   | –  | (269)                    |
| Depreciation                                | –   | (409)  | (236)  | (400)  | (51)   | (1,096)                  |
| Capital expenditure**                       | –   | (212)  | (1,042)  | (3,994)  | –  | (5,248)                  |

## 9 months ended 30 September 2010 (Unaudited)

|  | Precision<br>engineering<br>solution<br>projects<br><i>HK\$'000</i> | Sales of<br>CNC<br>machining<br>centres<br><i>HK\$'000</i> | Sales of<br>cement<br>production<br>equipment<br><i>HK\$'000</i> | Sales of<br>components<br>and parts<br><i>HK\$'000</i> | After-sales<br>technical<br>support<br>services<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|--|---|--|--|--|--|--------------------------|
| <b>Segment revenue:</b>                  |   |  |  |  |  |                          |
| Sales to external customers              | 76,068  | 30,743   | 125,917  | 19,645   | 8,977  | 261,350                  |
| Intersegment sales                       | —   | 76   | —  | 184  | —  | 260                      |
|  | <u>76,068</u>   | <u>30,819</u>  | <u>125,917</u>   | <u>19,829</u>  | <u>8,977</u>   | <u>261,610</u>           |
| <i>Reconciliation:</i>                   |   |  |  |  |  |                          |
| Elimination of intersegment sales        |   |  |  |  |  | <u>(260)</u>             |
| Revenue                                  |   |  |  |  |  | <u><u>261,350</u></u>    |
| <b>Segment results</b>                   | 9,672   | 6,256  | 54,561   | 3,389  | 8,917  | 82,795                   |
| <i>Reconciliation:</i>                   |   |  |  |  |  |                          |
| Interest income                          |   |  |  |  |  | 386                      |
| Unallocated other income and gains       |   |  |  |  |  | 1,624                    |
| Corporate and other unallocated expenses |   |  |  |  |  | (34,260)                 |
| Finance costs                            |   |  |  |  |  | <u>(17,906)</u>          |
| Profit before tax                        |   |  |  |  |  | <u><u>32,639</u></u>     |
| <b>Other segment information:</b>        |   |  |  |  |  |                          |
| Other non-cash expenses*                 | (170)   | 43   | 19   | (57)   | —  | (165)                    |
| Depreciation                             | —   | (307)  | (177)  | (300)  | (38)   | (822)                    |
| Capital expenditure**                    | —   | (15)   | —  | (1,345)  | —  | (1,360)                  |

## 9 months ended 30 September 2011

|   | Precision<br>engineering<br>solution<br>projects<br><i>HK\$'000</i> | Sales of<br>CNC<br>machining<br>centres<br><i>HK\$'000</i> | Sales of<br>cement<br>production<br>equipment<br><i>HK\$'000</i> | Sales of<br>components<br>and parts<br><i>HK\$'000</i> | After-sales<br>technical<br>support<br>services<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|---|---|--|--|--|--|--------------------------|
| <b>Segment revenue:</b>                     |   |  |  |  |  |                          |
| Sales to external customers                 | 243,448   | 54,425   | 92,447   | 136,227  | 18,740   | 545,287                  |
| Intersegment sales                          | –   | 56   | –  | 137  | –  | 193                      |
|   | 243,448   | 54,481   | 92,447   | 136,364  | 18,740   | 545,480                  |
| <i>Reconciliation:</i>                      |   |  |  |  |  |                          |
| Elimination of intersegment sales           |   |  |  |  |  | (193)                    |
| Revenue                                     |   |  |  |  |  | <u>545,287</u>           |
| <b>Segment results</b>                      | 38,727  | 10,891   | 46,853   | 10,228   | 16,580   | 123,279                  |
| <i>Reconciliation:</i>                      |   |  |  |  |  |                          |
| Interest income                             |   |  |  |  |  | 403                      |
| Unallocated other income and gains          |   |  |  |  |  | 870                      |
| Corporate and other unallocated expenses    |   |  |  |  |  | (48,842)                 |
| Finance costs                               |   |  |  |  |  | (18,472)                 |
| Profit before tax                           |   |  |  |  |  | <u>57,238</u>            |
| <b>Segment assets</b>                       | 308,692   | 24,885   | 45,531   | 132,194  | 8,650  | 519,952                  |
| <i>Reconciliation:</i>                      |   |  |  |  |  |                          |
| Corporate and other unallocated assets      |   |  |  |  |  | 224,900                  |
| Total assets                                |   |  |  |  |  | <u>744,852</u>           |
| <b>Segment liabilities</b>                  | 196,617   | 12,860   | 17,903   | 85,610   | 4,224  | 317,214                  |
| <i>Reconciliation:</i>                      |   |  |  |  |  |                          |
| Corporate and other unallocated liabilities |   |  |  |  |  | 240,078                  |
| Total liabilities                           |   |  |  |  |  | <u>557,292</u>           |
| <b>Other segment information:</b>           |   |  |  |  |  |                          |
| Other non-cash expenses*                    | (62)  | 22   | –  | (1,026)  | –  | (1,066)                  |
| Depreciation                                | –   | (307)  | (177)  | (300)  | (38)   | (822)                    |
| Capital expenditure**                       | –   | (122)  | (718)  | –  | –  | (840)                    |

\* Other non-cash expenses constitute allowances for doubtful debts that are directly attributable to the respective business segments.

\*\* Capital expenditure relates to additions of property, plant and equipment.

*Reconciliation of other segment information*

|   | Year ended 31 December |                       |                       | 9 months ended<br>30 September |                       |
|---|------------------------|-----------------------|-----------------------|--------------------------------|-----------------------|
|   | 2008                   | 2009                  | 2010                  | 2010                           | 2011                  |
|   | HK\$'000               | HK\$'000              | HK\$'000              | HK\$'000                       | HK\$'000              |
|   |                        |                       |                       | (Unaudited)                    |                       |
| <b>Depreciation and amortization</b>                                |                        |                       |                       |                                |                       |
| Directly attributable to operating segments                         | (1,096)                | (1,096)               | (1,096)               | (822)                          | (822)                 |
| Corporate and other unallocated depreciation and amortization costs | <u>(1,575)</u>         | <u>(2,336)</u>        | <u>(2,808)</u>        | <u>(1,848)</u>                 | <u>(2,351)</u>        |
| Total depreciation and amortization costs                           | <u><u>(2,671)</u></u>  | <u><u>(3,432)</u></u> | <u><u>(3,904)</u></u> | <u><u>(2,670)</u></u>          | <u><u>(3,173)</u></u> |
| <b>Capital expenditure</b>  |                        |                       |                       |                                |                       |
| Directly attributable to operating segments                         | (747)                  | (2,293)               | (5,248)               | (1,360)                        | (840)                 |
| Corporate and other unallocated capital expenditure                 | <u>(4,080)</u>         | <u>(2,308)</u>        | <u>(4,483)</u>        | <u>(4,508)</u>                 | <u>(2,557)</u>        |
| Total capital expenditure   | <u><u>(4,827)</u></u>  | <u><u>(4,601)</u></u> | <u><u>(9,731)</u></u> | <u><u>(5,868)</u></u>          | <u><u>(3,397)</u></u> |

*Geographical information*

The Group's revenues from external customers by geographical locations are as follows:

|                      | For the year ended 31 December |                     |                       |                     |                       |                     | Nine months ended 30 September |                     |                       |                     |
|----------------------|--------------------------------|---------------------|-----------------------|---------------------|-----------------------|---------------------|--------------------------------|---------------------|-----------------------|---------------------|
|                      | 2008                           |                     | 2009                  |                     | 2010                  |                     | 2010                           |                     | 2011                  |                     |
|                      | HK\$'000                       | %                   | HK\$'000              | %                   | HK\$'000              | %                   | HK\$'000                       | %                   | HK\$'000              | %                   |
|                      |                                |                     |                       |                     |                       |                     | (unaudited)                    |                     |                       |                     |
| Asia Pacific region: |                                |                     |                       |                     |                       |                     |                                |                     |                       |                     |
| The PRC              | 168,677                        | 57.8                | 175,718               | 60.7                | 256,089               | 54.6                | 160,163                        | 61.3                | 164,130               | 30.1                |
| Singapore            | 90,312                         | 31.0                | 59,629                | 20.6                | 68,492                | 14.6                | 25,770                         | 9.9                 | 32,073                | 5.9                 |
| Indonesia            | -                              | -                   | -                     | -                   | 24,720                | 5.3                 | 8,652                          | 3.3                 | 48,446                | 8.9                 |
| Malaysia             | 5,852                          | 2.0                 | 3,465                 | 1.2                 | 25,686                | 5.5                 | 21,303                         | 8.2                 | 40,413                | 7.4                 |
| Thailand             | 9,416                          | 3.2                 | 16,306                | 5.6                 | 7,717                 | 1.6                 | 7,054                          | 2.7                 | 28,083                | 5.2                 |
| India                | -                              | -                   | -                     | -                   | 45,218                | 9.6                 | 24,675                         | 9.4                 | 64,451                | 11.8                |
| Others               | 15,348                         | 5.3                 | 31,155                | 10.8                | 24,610                | 5.2                 | 882                            | 0.3                 | 5,809                 | 1.1                 |
| Europe               | 87                             | 0.0                 | 1,180                 | 0.4                 | 12,878                | 2.7                 | 9,657                          | 3.7                 | 161,765               | 29.6                |
| Others               | <u>1,951</u>                   | <u>0.7</u>          | <u>2,258</u>          | <u>0.7</u>          | <u>4,040</u>          | <u>0.9</u>          | <u>3,194</u>                   | <u>1.2</u>          | <u>117</u>            | <u>-</u>            |
| <b>Total</b>         | <u><u>291,643</u></u>          | <u><u>100.0</u></u> | <u><u>289,711</u></u> | <u><u>100.0</u></u> | <u><u>469,450</u></u> | <u><u>100.0</u></u> | <u><u>261,350</u></u>          | <u><u>100.0</u></u> | <u><u>545,287</u></u> | <u><u>100.0</u></u> |



The Group's property, plant and equipment by geographical locations are as follows:

|           | Year ended 31 December |               |               | 9 months ended |
|-----------|------------------------|---------------|---------------|----------------|
|           | 2008                   | 2009          | 2010          | 30 September   |
|           | 2008                   | 2009          | 2010          | 2011           |
|           | HK\$'000               | HK\$'000      | HK\$'000      | HK\$'000       |
| PRC       | 15,809                 | 17,430        | 24,747        | 24,891         |
| Singapore | 1,721                  | 1,333         | 810           | 435            |
| Malaysia  | 137                    | 67            | —             | —              |
|           | <u>17,667</u>          | <u>18,830</u> | <u>25,557</u> | <u>25,326</u>  |

#### Information about major customers

During the Relevant Periods, except for a sale to Singapore Technologies Kinetics Ltd. in the sales of components and parts segment which accounted for approximately 10.6% of the Group's total revenue for the financial year ended 31 December 2009, and a sale to Emerald Machines Pvt. Ltd and Centrale Solaire U Prunu S.A.R.L. in the sales of components and parts segment which accounted for approximately 14.38% and 12.24% of the Group's total revenue for the nine months ended 30 September 2011, respectively, no revenue from transactions with a single external customer amounted to 10% of the Group's total revenue.

#### 6. Revenue, other Income and Gains

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts and the value of services rendered during the year/period:

An analysis of revenue, other income and gains is as follows:

|                        | Year ended 31 December |                |                | 9 months ended |                |
|------------------------|------------------------|----------------|----------------|----------------|----------------|
|                        | 2008                   | 2009           | 2010           | 2010           | 2011           |
|                        | 2008                   | 2009           | 2010           | 2010           | 2011           |
|                        | HK\$'000               | HK\$'000       | HK\$'000       | HK\$'000       | HK\$'000       |
|                        |                        |                |                | (Unaudited)    |                |
| <b>Revenue</b>         |                        |                |                |                |                |
| Sale of goods          | 270,736                | 263,895        | 446,373        | 252,373        | 526,547        |
| Rendering of services  | 20,907                 | 23,104         | 21,596         | 8,977          | 18,740         |
| Commission income      | —                      | 2,712          | 1,481          | —              | —              |
|                        | <u>291,643</u>         | <u>289,711</u> | <u>469,450</u> | <u>261,350</u> | <u>545,287</u> |
| <b>Other income</b>    |                        |                |                |                |                |
| Bank interest income   | 815                    | 450            | 443            | 386            | 403            |
| Consultancy fee income | 1,106                  | —              | —              | —              | —              |
| Rental income          | 709                    | 601            | 591            | 488            | 241            |
| Government subsidy     | 452                    | 783            | 596            | 543            | 522            |
| Forfeiture of deposits | —                      | 1,256          | —              | —              | —              |
| Others                 | 420                    | 1,059          | 434            | 593            | 107            |
|                        | <u>3,502</u>           | <u>4,149</u>   | <u>2,064</u>   | <u>2,010</u>   | <u>1,273</u>   |

**7. Finance Costs**

|   | Year ended 31 December |              |               | 9 months ended<br>30 September |               |
|---|------------------------|--------------|---------------|--------------------------------|---------------|
|   | 2008                   | 2009         | 2010          | 2010                           | 2011          |
|   | HK\$'000               | HK\$'000     | HK\$'000      | HK\$'000                       | HK\$'000      |
|   |                        |              |               |                                |               |
|   |                        |              |               |                                | (Unaudited)   |
| Interest on finance leases                                | 542                    | 326          | 255           | 122                            | 128           |
| Bank overdraft interest and charges                       | 2,075                  | 198          | 197           | 151                            | 578           |
| Bank and other finance charges                            | 1,486                  | 2,142        | 2,168         | 1,657                          | 2,829         |
| Interest on bank loans wholly repayable within five years | 418                    | 1,387        | 1,962         | 1,553                          | 330           |
| Amortised interest on redeemable convertible loan         | –                      | –            | 18,425        | 12,274                         | 16,285        |
| Fair value change of embedded derivative liabilities      | –                      | –            | 19,185        | 15,672                         | (1,678)       |
| Gain on derecognition of redeemable convertible loan (i)  | –                      | –            | (13,523)      | (13,523)                       | –             |
|   | <u>4,521</u>           | <u>4,053</u> | <u>28,669</u> | <u>17,906</u>                  | <u>18,472</u> |

- (i) Gain on derecognition of redeemable convertible loan had been recognised as terms of the redeemable convertible loan had been changed as described in note 27(ii) to the financial statements.

**8. Profit before Tax**

The Group's profit before tax is arrived at after charging/(crediting):

|   | Year ended 31 December |              |              | 9 months ended<br>30 September |              |
|---|------------------------|--------------|--------------|--------------------------------|--------------|
|   | 2008                   | 2009         | 2010         | 2010                           | 2011         |
|   | HK\$'000               | HK\$'000     | HK\$'000     | HK\$'000                       | HK\$'000     |
|   |                        |              |              |                                |              |
|   |                        |              |              |                                | (Unaudited)  |
| Cost of inventories sold  | 193,513                | 179,440      | 317,527      | 174,522                        | 414,638      |
| Depreciation*   | 2,671                  | 3,432        | 3,904        | 2,670                          | 3,173        |
| Amortisation of prepaid land lease payments*                              | –                      | 12           | 12           | 9                              | 9            |
| Auditors' remuneration*   | 1,424                  | 913          | 1,044        | 603                            | 629          |
| Inventory written off*  | –                      | –            | 66           | –                              | –            |
| Allowance for inventories**   | –                      | –            | 234          | –                              | –            |
| (Write-back)/allowance for unutilised leave provision*                    | (94)                   | –            | –            | 75                             | 209          |
| Employee benefits expenses* (including directors' remuneration (Note 10)) | 19,540                 | 20,059       | 22,054       | 16,305                         | 19,467       |
| Contributions to retirement benefits schemes*                             | 1,787                  | 2,141        | 2,505        | 1,911                          | 2,393        |
| Allowance for/(write-back of) impairment on doubtful debts*               | 227                    | (147)        | 269          | 165                            | 1,066        |
| Loss on disposal of property, plant and equipment, net*                   | 1                      | 28           | 3            | 3                              | 32           |
| Net foreign exchange loss**   | <u>3,257</u>           | <u>1,674</u> | <u>1,058</u> | <u>3,365</u>                   | <u>3,349</u> |

\* These amounts are included in "Administrative expenses" in the combined statements of comprehensive income.

\*\* These amounts are included in "Other operating expenses" in the combined statements of comprehensive income.

## 9. Income Tax Expense

|  | Year ended 31 December |               |               | 9 months ended<br>30 September |               |
|--|------------------------|---------------|---------------|--------------------------------|---------------|
|  | 2008                   | 2009          | 2010          | 2010                           | 2011          |
|  | HK\$'000               | HK\$'000      | HK\$'000      | HK\$'000                       | HK\$'000      |
|  |                        |               |               | (Unaudited)                    |               |
| Current tax:                                     |                        |               |               |                                |               |
| Current year/period                              | 6,209                  | 9,905         | 15,963        | 8,391                          | 13,841        |
| (Over)/under provision in<br>prior year/period:  | (1,621)                | (223)         | (1,702)       | 146                            | (13)          |
| Deferred tax ( <i>Note 26</i> )                  |                        |               |               |                                |               |
| – Current year                                   | 3,554                  | 4,518         | 6,483         | 4,832                          | 3,644         |
| – Effect of change in tax rate                   | –                      | (21)          | –             | –                              | –             |
| Total income tax recognised<br>in profit or loss | <u>8,142</u>           | <u>14,179</u> | <u>20,744</u> | <u>13,369</u>                  | <u>17,472</u> |

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the Relevant Periods.

Taxes on profits assessable in Singapore and Mainland China have been calculated at the prevailing tax rates, based on existing legislation, interpretations and practices in respect thereof.

***Singapore income tax***

The corporate income tax rate applicable to Singapore companies of the Group was 17% for the year ended 31 December 2009 onwards, reduced from 18% for year ended 31 December 2008.

***PRC income tax***

During the 5th session of the 10th National People's Congress, which was concluded on 16 March 2007, the PRC Corporate Income Tax Law was approved and became effective on 1 January 2008. The Corporate Income Tax Law introduced a wide range of changes which included, but are not limited to, the unification of the income tax rates for domestic-invested and certain foreign-invested enterprises, which resulted in a reduction of corporate income tax rate from 33% to 25%.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. The Group is therefore liable for withholding taxes on dividends distributed by its subsidiary established in Mainland China in respect of earnings generated from 1 January 2008.

The major tax concessions applicable to the subsidiaries and jointly-controlled entity established in the PRC are detailed as follows:

| <b>Name of subsidiaries/<br/>jointly-controlled entity</b> | <b>Details of tax concessions</b>   |
|--|---|
| CW International (Shanghai) Co., Ltd.                      | CW International (Shanghai) Co., Ltd. is a foreign invested enterprise ("FIE") which engages in manufacturing and is exempted from corporate income tax for two years commencing from its first year with assessable profits after deducting tax losses brought forward, and is entitled to a 50% tax reduction for the subsequent three years (the "FIE Tax Holiday"). The first year of its FIE Tax Holiday is financial year ended 31 December 2007. Accordingly, it was exempted from corporate income tax for the years ended 31 December 2007 and 2008 and is subject to corporate income tax at a reduced rate of 12.5% for the three years ending 31 December 2011. |
| Tianjin FeiSiTe Machinery Co., Ltd.                        | Tianjin FeiSiTe Machinery Co., Ltd. is a FIE which engages in manufacturing and is entitled to the FIE Tax Holiday. The first year of its FIE Tax Holiday is 31 December 2005. Accordingly, it was exempted from corporate income tax for the years ended 31 December 2005 and 2006 and was subject to corporate income tax at a reduced rate of 12%, 12.5% and 12.5% for the years ended 31 December 2007, 2008 and 2009 respectively. For the year/period ended 31 December 2010 and nine months ended 30 September 2011, the tax rate was 15% under High-Tech Enterprise Certification.  |
| SD Trading (Shanghai) Co., Ltd.                            | SD Trading (Shanghai) Co., Ltd. is a FIE which engages in manufacturing but is not entitled to the FIE Tax Holiday. Accordingly, it was subject to corporate income tax at a rate of 33% for the year ended 31 December 2007 and at a rate of 25% for the years ended 31 December 2008, 2009 and 2010 and nine months ended 30 September 2011.  |
| KIWA-CW Machine Manufacturing (Shanghai) Co., Ltd.         | KIWA-CW Machine Manufacturing (Shanghai) Co., Ltd. is a FIE which engages in manufacturing and is entitled to the FIE Tax Holiday. The first year of its FIE Tax Holiday is financial year ended 31 December 2008. Accordingly, it was exempted from corporate income tax for the years ended 31 December 2008 and 2009 and was subject to corporate income tax at a reduced rate of 12.5% for the three years ending 31 December 2012.   |

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the Relevant Periods are as follows:

|   | Year ended 31 December |               |               | 9 months ended<br>30 September |               |
|---|------------------------|---------------|---------------|--------------------------------|---------------|
|   | 2008                   | 2009          | 2010          | 2010                           | 2011          |
|   | HK\$'000               | HK\$'000      | HK\$'000      | HK\$'000                       | HK\$'000      |
| Profit before tax   | <u>49,747</u>          | <u>60,629</u> | <u>71,364</u> | <u>32,639</u>                  | <u>57,238</u> |
| Tax at the domestic rates applicable to profits in the countries where the Group operates | 12,248                 | 14,658        | 17,927        | 9,476                          | 12,496        |
| Expenses not deductible for tax   | 1,695                  | 2,458         | 5,586         | 4,602                          | 5,886         |
| Income not subject to tax   | (1,582)                | (138)         | (235)         | (145)                          | (325)         |
| (Over)/under provision in respect of previous year/periods                                | (1,621)                | (223)         | (1,702)       | 146                            | (13)          |
| Effect of tax incentives  | (6,563)                | (7,131)       | (7,686)       | (5,357)                        | (4,539)       |
| Effect of withholding tax on the undistributed profits (Note 26)                          | 3,638                  | 4,759         | 6,434         | 4,647                          | 3,877         |
| Change in tax rates   | -                      | (21)          | -             | -                              | -             |
| Others  | <u>327</u>             | <u>(183)</u>  | <u>420</u>    | <u>-</u>                       | <u>90</u>     |
| Income tax expense for the year/period  | <u>8,142</u>           | <u>14,179</u> | <u>20,744</u> | <u>13,369</u>                  | <u>17,472</u> |

#### 10. Directors' Remuneration

Directors' remuneration for the Relevant Periods, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

|   | Year ended 31 December |              |              | 9 months ended<br>30 September |              |
|---|------------------------|--------------|--------------|--------------------------------|--------------|
|   | 2008                   | 2009         | 2010         | 2010                           | 2011         |
|   | HK\$'000               | HK\$'000     | HK\$'000     | HK\$'000                       | HK\$'000     |
| Fees                                      | -                      | -            | -            | -                              | -            |
| Other remuneration:                       |                        |              |              |                                |              |
| - Salaries and bonuses                    | 2,991                  | 2,909        | 3,084        | 2,345                          | 2,652        |
| - Retirement benefit scheme contributions | <u>129</u>             | <u>122</u>   | <u>132</u>   | <u>99</u>                      | <u>109</u>   |
|   | <u>3,120</u>           | <u>3,031</u> | <u>3,216</u> | <u>2,444</u>                   | <u>2,761</u> |

#### (a) Independent non-executive directors

Mr. Kuan Cheng Tuck, Mr. Ong Su Aun and Mr. Johnny Chan were appointed as independent non-executive directors of the Company on 14 March 2012, 14 March 2012 and 14 March 2012, respectively. There were no fees or other remuneration payable to independent non-executive directors during the Relevant Periods.

*(b) Executive directors*

In respect of individuals, who act as executive directors of the Company as at the date of this report, the remuneration received or receivable from the Group during each of the Relevant Periods is as follows:

|  | Fees<br><i>HK\$'000</i> | Salaries<br>and<br>bonuses<br><i>HK\$'000</i> | Retirement<br>benefit<br>scheme<br>contributions<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|--|-------------------------|---|---|--------------------------|
| Year ended 31 December 2008                        |                         |   |   |                          |
| Mr. Wong Koon Lup                                  | –                       | 1,194   | 43  | 1,237                    |
| Mr. Lim Chwee Heng                                 | –                       | 796   | 43  | 839                      |
| Mr. Wong Mun Sum                                   | –                       | 1,001   | 43  | 1,044                    |
|  | <u>–</u>                | <u>2,991</u>                                  | <u>129</u>  | <u>3,120</u>             |
| Year ended 31 December 2009                        |                         |   |   |                          |
| Mr. Wong Koon Lup                                  | –                       | 1,152   | 42  | 1,194                    |
| Mr. Lim Chwee Heng                                 | –                       | 768   | 42  | 810                      |
| Mr. Wong Mun Sum                                   | –                       | 989   | 38  | 1,027                    |
|  | <u>–</u>                | <u>2,909</u>                                  | <u>122</u>  | <u>3,031</u>             |
| Year ended 31 December 2010                        |                         |   |   |                          |
| Mr. Wong Koon Lup                                  | –                       | 1,194   | 44  | 1,238                    |
| Mr. Lim Chwee Heng                                 | –                       | 796   | 44  | 840                      |
| Mr. Wong Mun Sum                                   | –                       | 1,094   | 44  | 1,138                    |
|  | <u>–</u>                | <u>3,084</u>                                  | <u>132</u>  | <u>3,216</u>             |
| Nine months ended<br>30 September 2010 (Unaudited) |                         |   |   |                          |
| Mr. Wong Koon Lup                                  | –                       | 906   | 33  | 939                      |
| Mr. Lim Chwee Heng                                 | –                       | 604   | 33  | 637                      |
| Mr. Wong Mun Sum                                   | –                       | 835   | 33  | 868                      |
|  | <u>–</u>                | <u>2,345</u>                                  | <u>99</u>   | <u>2,444</u>             |
| Nine months ended 30 September 2011                |                         |   |   |                          |
| Mr. Wong Koon Lup                                  | –                       | 1,015   | 40  | 1,055                    |
| Mr. Lim Chwee Heng                                 | –                       | 733   | 40  | 773                      |
| Mr. Wong Mun Sum                                   | –                       | 904   | 29  | 933                      |
|  | <u>–</u>                | <u>2,652</u>                                  | <u>109</u>  | <u>2,761</u>             |

During the Relevant Periods, no remuneration was paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any remuneration during the Relevant Periods.

## 11. Five Highest Paid Employees

The five employees with the highest remuneration in the Group for the Relevant Periods were as follows:

|           | Year ended 31 December |              |              | 9 months ended<br>30 September |              |
|-----------|------------------------|--------------|--------------|--------------------------------|--------------|
|           | 2008                   | 2009         | 2010         | 2010                           | 2011         |
|           | HK\$'000               | HK\$'000     | HK\$'000     | HK\$'000                       | HK\$'000     |
|           |                        |              |              | (Unaudited)                    |              |
| Directors | 3,120                  | 3,031        | 3,216        | 2,444                          | 2,761        |
| Employees | 1,218                  | 1,458        | 1,999        | 1,517                          | 1,696        |
|           | <u>4,338</u>           | <u>4,489</u> | <u>5,215</u> | <u>3,961</u>                   | <u>4,457</u> |

The five highest paid employees for the Relevant Periods include three directors, details of whose remuneration are set out in Note 10 above. Details of the remaining two non-director, highest paid employees for the Relevant Periods were as follows:

|   | Year ended 31 December |              |              | 9 months ended<br>30 September |              |
|---|------------------------|--------------|--------------|--------------------------------|--------------|
|   | 2008                   | 2009         | 2010         | 2010                           | 2011         |
|   | HK\$'000               | HK\$'000     | HK\$'000     | HK\$'000                       | HK\$'000     |
|   |                        |              |              | (Unaudited)                    |              |
| Salaries and bonuses                    | 1,142                  | 1,374        | 1,909        | 1,460                          | 1,635        |
| Retirement benefit scheme contributions | 76                     | 84           | 90           | 57                             | 61           |
|   | <u>1,218</u>           | <u>1,458</u> | <u>1,999</u> | <u>1,517</u>                   | <u>1,696</u> |

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

|                                | Year ended 31 December |          |          | 9 months ended<br>30 September |          |
|--------------------------------|------------------------|----------|----------|--------------------------------|----------|
|                                | 2008                   | 2009     | 2010     | 2010                           | 2011     |
|                                | HK\$'000               | HK\$'000 | HK\$'000 | HK\$'000                       | HK\$'000 |
|                                |                        |          |          | (Unaudited)                    |          |
| Nil to HK\$1,000,000           | 2                      | 1        | 1        | 2                              | 2        |
| HK\$1,000,001 to HK\$1,500,000 | -                      | 1        | 1        | -                              | -        |
| HK\$1,500,001 to HK\$2,000,000 | -                      | -        | -        | -                              | -        |
|                                | <u>2</u>               | <u>2</u> | <u>2</u> | <u>2</u>                       | <u>2</u> |

During the Relevant Periods, no remuneration was paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the five highest paid individuals has waived any remuneration during the Relevant Periods.

**12. Dividends**

During the year ended 31 December 2008, a subsidiary of the Company, FNW International Pte. Ltd., declared an interim dividend of approximately S\$113,000 (equivalent to HK\$693,000). Non-controlling interest's share of this interim dividend amounted to approximately S\$55,000 (equivalent to HK\$340,000).

During the year ended 31 December 2010, a subsidiary of the Company, Fu Yang International Co., Ltd., declared a first interim dividend of US\$8,817,000 (equivalent to HK\$68,475,000), a second interim dividend of US\$6,316,000 (equivalent to HK\$49,058,000), and a third interim dividend of US\$4,718,000 (equivalent to HK\$36,582,000). Non-controlling interest's share of the first interim dividend, second interim dividend and third interim dividend amounted to HK\$33,553,000, HK\$24,038,000 and HK\$17,925,000 respectively.

**13. Earnings Per Share Attributable to Equity Holders of the Company**

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the preparation of the results of the Group for the Relevant Periods on the combined basis as disclosed in Note 1.



## 14. Property, Plant and Equipment

|                                 | Building<br>HK\$'000 | Plant and<br>machinery<br>HK\$'000 | Renovation<br>HK\$'000 | Office<br>equipment,<br>furniture<br>and fittings<br>HK\$'000 | Computers<br>HK\$'000 | Motor<br>vehicles<br>HK\$'000 | Construction-<br>in-progress<br>HK\$'000 | Total<br>HK\$'000 |
|---------------------------------|----------------------|------------------------------------|------------------------|---|-----------------------|-------------------------------|--|-------------------|
| <b>Cost</b>                     |                      |                                    |                        |   |                       |                               |  |                   |
| At 1 January 2008               | –                    | 10,184                             | 2,065                  | 1,698   | 597                   | 3,480                         | –  | 18,024            |
| Exchange differences            | 14                   | 1,380                              | 212                    | 61  | 49                    | 422                           | –  | 2,138             |
| Additions                       | 985                  | 747                                | 866                    | 1,302   | 277                   | 650                           | –  | 4,827             |
| Disposals                       | –                    | –                                  | –                      | –   | (4)                   | –                             | –  | (4)               |
| At 31 December 2008             | 999                  | 12,311                             | 3,143                  | 3,061   | 919                   | 4,552                         | –  | 24,985            |
| Exchange differences            | 1                    | 2                                  | 30                     | 78  | –                     | 20                            | –  | 131               |
| Additions                       | –                    | 2,293                              | 290                    | 78  | 326                   | 1,544                         | 70                                       | 4,601             |
| Disposals                       | –                    | –                                  | (37)                   | (27)  | (11)                  | –                             | –  | (75)              |
| At 31 December 2009             | 1,000                | 14,606                             | 3,426                  | 3,190   | 1,234                 | 6,116                         | 70                                       | 29,642            |
| Exchange differences            | 40                   | 751                                | 211                    | 302   | 79                    | 311                           | 43                                       | 1,737             |
| Additions                       | 54                   | 5,248                              | 96                     | 144   | 173                   | 1,204                         | 2,812                                    | 9,731             |
| Disposals                       | –                    | (67)                               | –                      | –   | –                     | –                             | –  | (67)              |
| Reclassification                | –                    | 1,423                              | –                      | –   | –                     | –                             | (1,423)                                  | –                 |
| At 31 December 2010             | 1,094                | 21,961                             | 3,733                  | 3,636   | 1,486                 | 7,631                         | 1,502                                    | 41,043            |
| <b>Accumulated depreciation</b> |                      |                                    |                        |   |                       |                               |  |                   |
| At 1 January 2008               | –                    | 647                                | 1,105                  | 1,414   | 353                   | 749                           | –  | 4,268             |
| Exchange differences            | –                    | 103                                | 94                     | 68  | 19                    | 95                            | –  | 379               |
| Charge for the year             | –                    | 1,120                              | 363                    | 379   | 231                   | 578                           | –  | 2,671             |
| At 31 December 2008             | –                    | 1,870                              | 1,562                  | 1,861   | 603                   | 1,422                         | –  | 7,318             |
| Exchange differences            | –                    | 1                                  | 20                     | 65  | 8                     | 12                            | –  | 106               |
| Charge for the year             | 47                   | 1,402                              | 404                    | 529   | 178                   | 872                           | –  | 3,432             |
| Disposals                       | –                    | –                                  | (19)                   | (14)  | (11)                  | –                             | –  | (44)              |
| At 31 December 2009             | 47                   | 3,273                              | 1,967                  | 2,441   | 778                   | 2,306                         | –  | 10,812            |
| Exchange differences            | 3                    | 171                                | 148                    | 290   | 31                    | 146                           | –  | 789               |
| Charge for the year             | 53                   | 1,633                              | 421                    | 535   | 219                   | 1,043                         | –  | 3,904             |
| Disposals                       | –                    | (19)                               | –                      | –   | –                     | –                             | –  | (19)              |
| At 31 December 2010             | 103                  | 5,058                              | 2,536                  | 3,266   | 1,028                 | 3,495                         | –  | 15,486            |
| <b>Carrying amount</b>          |                      |                                    |                        |   |                       |                               |  |                   |
| At 31 December 2008             | 999                  | 10,441                             | 1,581                  | 1,200   | 316                   | 3,130                         | –  | 17,667            |
| At 31 December 2009             | 953                  | 11,333                             | 1,459                  | 749   | 456                   | 3,810                         | 70                                       | 18,830            |
| At 31 December 2010             | 991                  | 16,903                             | 1,197                  | 370   | 458                   | 4,136                         | 1,502                                    | 25,557            |

At 31 December 2008, 2009 and 2010, the carrying amounts of the Group's assets held under finance leases amounted to approximately HK\$7,041,000, HK\$6,672,000 and HK\$5,481,000, respectively.

|                                     | Building     | Plant and<br>machinery | Renovation   | Office<br>equipment,<br>furniture<br>and fittings | Computers    | Motor<br>vehicles | Construction-<br>in-progress | Total         |
|-------------------------------------|--------------|------------------------|--------------|---|--------------|-------------------|------------------------------|---------------|
|                                     | HK\$'000     | HK\$'000               | HK\$'000     | HK\$'000  | HK\$'000     | HK\$'000          | HK\$'000                     | HK\$'000      |
| <b>Cost</b>                         |              |                        |              |   |              |                   |                              |               |
| At 1 January 2011                   | 1,094        | 21,961                 | 3,733        | 3,636   | 1,486        | 7,631             | 1,502                        | 41,043        |
| Exchange differences                | 39           | 773                    | 113          | (57)  | 11           | 239               | 25                           | 1,143         |
| Additions                           | -            | 840                    | 1,573        | 106   | 150          | 574               | 154                          | 3,397         |
| Disposals                           | -            | (1,395)                | -            | -   | (35)         | (1)               | -                            | (1,431)       |
| Reclassification                    | -            | -                      | 1,524        | -   | -            | -                 | (1,524)                      | -             |
| At 30 September 2011                | <u>1,133</u> | <u>22,179</u>          | <u>6,943</u> | <u>3,685</u>                                      | <u>1,612</u> | <u>8,443</u>      | <u>157</u>                   | <u>44,152</u> |
| <b>Accumulated<br/>depreciation</b> |              |                        |              |   |              |                   |                              |               |
| At 1 January 2011                   | 103          | 5,058                  | 2,536        | 3,266   | 1,028        | 3,495             | -                            | 15,486        |
| Exchange differences                | 5            | 210                    | 19           | (71)  | 3            | 103               | -                            | 269           |
| Charge for the period               | 52           | 1,488                  | 331          | 222   | 168          | 912               | -                            | 3,173         |
| Disposals                           | -            | (73)                   | -            | -   | (29)         | -                 | -                            | (102)         |
| At 30 September 2011                | <u>160</u>   | <u>6,683</u>           | <u>2,886</u> | <u>3,417</u>                                      | <u>1,170</u> | <u>4,510</u>      | <u>-</u>                     | <u>18,826</u> |
| <b>Carrying amount</b>              |              |                        |              |   |              |                   |                              |               |
| At 30 September 2011                | <u>973</u>   | <u>15,496</u>          | <u>4,057</u> | <u>268</u>  | <u>442</u>   | <u>3,933</u>      | <u>157</u>                   | <u>25,326</u> |

At 30 September 2011, the carrying amount of the Group's assets held under finance lease amounted to HK\$4,895,000.

**15. Prepaid Land Lease Payments**

|   | <b>31 December</b> |                 | <b>30 September</b> |                 |
|---|--------------------|-----------------|---------------------|-----------------|
|   | <b>2008</b>        | <b>2009</b>     | <b>2010</b>         | <b>2011</b>     |
|   | <i>HK\$'000</i>    | <i>HK\$'000</i> | <i>HK\$'000</i>     | <i>HK\$'000</i> |
| At 1 January  | –                  | 792             | 781                 | 798             |
| Additions   | 761                | –               | –                   | –               |
| Exchange differences                                | 31                 | 1               | 29                  | 28              |
| Charge for the year/period                          | –                  | (12)            | (12)                | (9)             |
| At the end of the year/period                       | <u>792</u>         | <u>781</u>      | <u>798</u>          | <u>817</u>      |
| Amount to be amortised                              |                    |                 |                     |                 |
| – Not later than one year                           | 12                 | 12              | 12                  | 13              |
| – Later than one year but not later than five years | 47                 | 47              | 49                  | 51              |
| – Later than five years                             | 733                | 722             | 737                 | 753             |
|   | <u>792</u>         | <u>781</u>      | <u>798</u>          | <u>817</u>      |

The Group's leasehold land is located in Mainland China and held under a lease term from 12 June 2006 to 11 June 2076.

**16. Goodwill**

|                          | <b>31 December</b> |                 | <b>30 September</b> |                 |
|--------------------------|--------------------|-----------------|---------------------|-----------------|
|                          | <b>2008</b>        | <b>2009</b>     | <b>2010</b>         | <b>2011</b>     |
|                          | <i>HK\$'000</i>    | <i>HK\$'000</i> | <i>HK\$'000</i>     | <i>HK\$'000</i> |
| Cost and carrying amount | <u>31,640</u>      | <u>31,649</u>   | <u>32,874</u>       | <u>34,042</u>   |

The carrying amount of goodwill has been allocated to cash generating units ("CGUs") as follows:

|                                     | <b>31 December</b> |                 | <b>30 September</b> |                 |
|-------------------------------------|--------------------|-----------------|---------------------|-----------------|
|                                     | <b>2008</b>        | <b>2009</b>     | <b>2010</b>         | <b>2011</b>     |
|                                     | <i>HK\$'000</i>    | <i>HK\$'000</i> | <i>HK\$'000</i>     | <i>HK\$'000</i> |
| CW Advanced Technologies Pte. Ltd.  | 140                | 143             | 157                 | 156             |
| Tianjin FeiSiTe Machinery Co., Ltd. | <u>31,500</u>      | <u>31,506</u>   | <u>32,717</u>       | <u>33,886</u>   |
|                                     | <u>31,640</u>      | <u>31,649</u>   | <u>32,874</u>       | <u>34,042</u>   |

The recoverable amounts of the above CGUs were determined based on value-in-use calculations which use cash flow projections based on financial budgets approved by the management for the next financial year, and discount rates ranging from 18.7% to 19.4% per annum for those financial years reported. Cash flows beyond the budget period were extrapolated using an estimated constant growth rate of 3% per annum. This growth rate did not exceed the average long-term growth rate for the relevant markets.

The key assumptions for the value-in-use calculations were those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimated discount rates using pre-tax rates that reflected current market assessments of the time value of money and the risks specific to the CGUs. The growth rates were based on industry growth forecasts. Changes in selling prices and direct costs were based on past practices and expectations of future changes in the relevant markets.

## 17. Investments in Jointly-Controlled Entities

Particulars of the jointly-controlled entities are as follows:

| Name of entity  | Legal form and place of incorporation/ establishment/operations | Percentage of ownership interest and voting power held |      |              |      | Principal activities                               |
|---|---|--|------|--------------|------|--|
|   |   | 31 December  |      | 30 September |      |  |
|   |   | 2008   | 2009 | 2010         | 2011 |  |
|   |   | %  | %    | %            | %    |  |
| KIWA-CW Machine Manufacturing Pte. Ltd.   | Limited private company Singapore                               | 50   | 50   | 50           | 50   | Investment holding and trading activities          |
| 紀和機械製造(上海)有限公司<br>KIWA-CW Machine Manufacturing (Shanghai) Co., Ltd. <sup>(1)</sup> | Wholly owned foreign enterprise PRC                             | 50   | 50   | 50           | 50   | Manufacturing and trading of CNC machining centres |

<sup>(1)</sup> The English translation of the company name is for reference only. The official name of the company is in Chinese.

The summarised financial information in respect of the Group's interests in the jointly-controlled entities which are accounted for using proportionate consolidation with the line-by-line reporting format is set out below:

|                         | 31 December   |               | 30 September  |               |
|-------------------------|---------------|---------------|---------------|---------------|
|                         | 2008          | 2009          | 2010          | 2011          |
|                         | HK\$'000      | HK\$'000      | HK\$'000      | HK\$'000      |
| Current assets          | <u>17,982</u> | <u>15,805</u> | <u>23,774</u> | <u>27,906</u> |
| Non-current assets      | <u>3,394</u>  | <u>4,459</u>  | <u>4,630</u>  | <u>4,857</u>  |
| Current liabilities     | <u>14,520</u> | <u>14,356</u> | <u>20,253</u> | <u>22,455</u> |
| Non-current liabilities | <u>218</u>    | <u>1,159</u>  | <u>825</u>    | <u>612</u>    |
| Income                  | <u>17,522</u> | <u>8,806</u>  | <u>34,383</u> | <u>40,445</u> |
| Expense                 | <u>18,178</u> | <u>10,823</u> | <u>31,624</u> | <u>38,158</u> |

**18. Inventories**

|   | <b>2008</b>     | <b>31 December</b> | <b>2010</b>     | <b>30 September</b> |
|---|-----------------|--------------------|-----------------|---------------------|
|   | <i>HK\$'000</i> | <i>2009</i>        | <i>2010</i>     | <i>2011</i>         |
|   |                 | <i>HK\$'000</i>    | <i>HK\$'000</i> | <i>HK\$'000</i>     |
| Raw materials                               | 7,103           | 5,944              | 10,900          | 18,797              |
| Work-in-progress                            | 4,058           | 5,298              | 4,706           | 9,091               |
| Finished goods                              | 7,736           | 4,282              | 5,340           | 3,113               |
|   | <u>18,897</u>   | <u>15,524</u>      | <u>20,946</u>   | <u>31,001</u>       |
| Movement in allowance accounts:             |                 |                    |                 |                     |
| At 1 January                                | 1,200           | 774                | –               | 249                 |
| Stock written off during the year           | (400)           | (794)              | –               | –                   |
| Allowance recognized during the year/period | –               | –                  | 234             | –                   |
| Translation differences                     | (26)            | 20                 | 15              | (5)                 |
|   | <u>774</u>      | <u>–</u>           | <u>249</u>      | <u>244</u>          |

**19. Trade Receivables**

|                   | <b>2008</b>     | <b>31 December</b> | <b>2010</b>     | <b>30 September</b> |
|-------------------|-----------------|--------------------|-----------------|---------------------|
|                   | <i>HK\$'000</i> | <i>2009</i>        | <i>2010</i>     | <i>2011</i>         |
|                   |                 | <i>HK\$'000</i>    | <i>HK\$'000</i> | <i>HK\$'000</i>     |
| Trade receivables | 110,260         | 94,579             | 205,845         | 353,624             |
| Less: Impairment  | (985)           | (1,180)            | (433)           | (1,543)             |
|                   | <u>109,275</u>  | <u>93,399</u>      | <u>205,412</u>  | <u>352,081</u>      |
| Accrued revenue   | 29,166          | 50,990             | 27,071          | 122,850             |
|                   | <u>138,441</u>  | <u>144,389</u>     | <u>232,483</u>  | <u>474,931</u>      |

The Group's trading terms with its customers are mainly on credit except for certain new customers where payment in advance is required. The average trade credit period ranged from 30 days to 360 days. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly and actively monitored by senior management to minimise credit risk. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest bearing.

Accrued revenue represents amounts due from customers with respect to machinery and equipment delivered to customers or where customers have taken over the ownership of the equipment for which billings have not been performed.

Included in trade receivables are retention sums as follows:

|                | <b>2008</b>     | <b>31 December</b> | <b>2010</b>     | <b>30 September</b> |
|----------------|-----------------|--------------------|-----------------|---------------------|
|                | <i>HK\$'000</i> | <i>2009</i>        | <i>2010</i>     | <i>2011</i>         |
|                |                 | <i>HK\$'000</i>    | <i>HK\$'000</i> | <i>HK\$'000</i>     |
| Retention sums | <u>8,381</u>    | <u>8,826</u>       | <u>2,230</u>    | <u>2,093</u>        |

The following is an aged analysis of the Group's trade receivables (net of allowance for doubtful debts and excluding accrued revenue) at the end of each of the Relevant Periods, presented based on invoice date:

|                 | 31 December    |               | 30 September   |                |
|-----------------|----------------|---------------|----------------|----------------|
|                 | 2008           | 2009          | 2010           | 2011           |
|                 | HK\$'000       | HK\$'000      | HK\$'000       | HK\$'000       |
| 0 to 90 days    | 58,442         | 43,396        | 156,558        | 109,271        |
| 91 to 180 days  | 11,657         | 2,587         | 11,490         | 154,103        |
| 181 to 360 days | 3,398          | 10,949        | 35,873         | 86,077         |
| Over 360 days   | 35,778         | 36,467        | 1,491          | 2,630          |
|                 | <u>109,275</u> | <u>93,399</u> | <u>205,412</u> | <u>352,081</u> |

The aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

|   | 31 December    |               | 30 September   |                |
|---|----------------|---------------|----------------|----------------|
|   | 2008           | 2009          | 2010           | 2011           |
|   | HK\$'000       | HK\$'000      | HK\$'000       | HK\$'000       |
| Past due but not impaired   |                |               |                |                |
| – Less than 3 months past due   | 28,789         | 22,407        | 29,934         | 92,343         |
| – 3 months to 6 months past due   | 3,225          | 5,542         | 2,867          | 52,489         |
| – 6 months to 12 months past due  | 11,464         | 22,648        | 7,498          | 3,977          |
| – More than 12 months past due  | 7,374          | 17,684        | 1,182          | 745            |
|   | <u>50,852</u>  | <u>68,281</u> | <u>41,481</u>  | <u>149,554</u> |
| Neither past due nor impaired   | 58,423         | 25,118        | 163,931        | 202,527        |
|   | <u>109,275</u> | <u>93,399</u> | <u>205,412</u> | <u>352,081</u> |
| Total trade receivables (net of allowance for doubtful debts and excluding accrued revenue) | <u>109,275</u> | <u>93,399</u> | <u>205,412</u> | <u>352,081</u> |

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

The Group's trade receivables that are impaired at the end of the Relevant Periods and the movement of the allowance accounts used to record the impairment are as follows:

|   | <b>2008</b><br><i>HK\$'000</i> | <b>31 December</b><br><b>2009</b><br><i>HK\$'000</i> | <b>2010</b><br><i>HK\$'000</i> | <b>30 September</b><br><b>2011</b><br><i>HK\$'000</i> |
|---|--------------------------------|--|--------------------------------|---|
| Trade receivables – nominal amounts         | 985                            | 1,180  | 433                            | 1,543   |
| Less: Allowance for impairment              | <u>(985)</u>                   | <u>(1,180)</u>                                       | <u>(433)</u>                   | <u>(1,543)</u>  |
|   | <u>–</u>                       | <u>–</u>   | <u>–</u>                       | <u>–</u>  |
| Movement in allowance accounts:             |                                |  |                                |   |
| At 1 January                                | 1,167                          | 985  | 1,180                          | 433   |
| Exchange differences                        | 87                             | 33   | 75                             | 25  |
| Impairment losses recognised on receivables | 4                              | 197  | 295                            | 1,088   |
| Amounts written off during the year/period  | (18)                           | (32)   | (1,095)                        | –   |
| Impairment losses reversed                  | <u>(255)</u>                   | <u>(3)</u>   | <u>(22)</u>                    | <u>(3)</u>  |
| At end of the year/period                   | <u>985</u>                     | <u>1,180</u>   | <u>433</u>                     | <u>1,543</u>  |

The individually impaired trade receivables relate to customers that were in financial difficulties or were in default in payments and only a portion of the receivables is expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

Included in trade receivables were the following amounts denominated in currencies other than the functional currencies of the relevant group companies:

|                      | <b>2008</b><br><i>HK\$'000</i> | <b>31 December</b><br><b>2009</b><br><i>HK\$'000</i> | <b>2010</b><br><i>HK\$'000</i> | <b>30 September</b><br><b>2011</b><br><i>HK\$'000</i> |
|----------------------|--------------------------------|--|--------------------------------|---|
| Singapore dollar     | 590                            | 124  | 32                             | –   |
| United States dollar | 10,243                         | 14,092   | 85,502                         | 113,414   |
| EUR                  | 5,590                          | 1,227  | 27,146                         | 158,240   |
| Japanese yen         | 8,303                          | 16,056   | 5,404                          | 3,117   |
| Swiss franc          | <u>–</u>                       | <u>–</u>   | <u>18,688</u>                  | <u>15,032</u>   |

## 20. Other Receivables

|   | <b>2008</b><br><i>HK\$'000</i> | <b>31 December</b><br><b>2009</b><br><i>HK\$'000</i> | <b>2010</b><br><i>HK\$'000</i> | <b>30 September</b><br><b>2011</b><br><i>HK\$'000</i> |
|---|--------------------------------|--|--------------------------------|---|
| Other receivables                                     | 40,910                         | 61,766   | 21,931                         | 28,780  |
| Deposits  | 2,750                          | 1,636  | 1,145                          | 845   |
| Prepayments for expenses                              | 8,028                          | 5,653  | 15,471                         | 17,354  |
| Prepayments to suppliers                              | 17,770                         | 34,813   | 98,381                         | 91,229  |
| Staff advances  | 6,688                          | 4,866  | 73                             | 8   |
| Advances to non-controlling interests of subsidiaries | <u>4,058</u>                   | <u>4,914</u>   | <u>5,066</u>                   | <u>–</u>  |
|   | 80,204                         | 113,648  | 142,067                        | 138,216   |
| Less: Impairment                                      | <u>(485)</u>                   | <u>(144)</u>   | <u>(145)</u>                   | <u>(131)</u>  |
|   | <u>79,719</u>                  | <u>113,504</u>                                       | <u>141,922</u>                 | <u>138,085</u>  |

The amounts due from related parties were unsecured, interest-free and repayable on demand.

Included in other receivables were the following amounts denominated in currencies other than the functional currencies of the relevant group companies:

As at 30 September 2011, other receivables included short term loans to certain employees of approximately HK\$6.4 million, which were unsecured and interest-free (see note 36).

|   | 31 December  |              | 30 September |              |
|---|--------------|--------------|--------------|--------------|
|   | 2008         | 2009         | 2010         | 2011         |
|   | HK\$'000     | HK\$'000     | HK\$'000     | HK\$'000     |
| Singapore dollar                            | 1,918        | 1,946        | 987          | 10           |
| United States dollar                        | 5,852        | 1,086        | 1,095        | 1,406        |
| EUR   | -            | -            | 609          | -            |
| Japanese yen                                | -            | -            | 2,043        | 14,314       |
|   | <u>-</u>     | <u>-</u>     | <u>-</u>     | <u>-</u>     |
| Other receivables – nominal amounts         | 485          | 144          | 145          | 131          |
| Less: Allowance for impairment              | <u>(485)</u> | <u>(144)</u> | <u>(145)</u> | <u>(131)</u> |
|   | <u>-</u>     | <u>-</u>     | <u>-</u>     | <u>-</u>     |
| Movement in allowance accounts:             |              |              |              |              |
| At 1 January                                | -            | 485          | 144          | 145          |
| Exchange differences                        | 7            | -            | 5            | 5            |
| Impairment losses recognised on receivables | 478          | 144          | -            | -            |
| Amounts written off during the year/period  | -            | -            | -            | -            |
| Impairment losses reversed                  | -            | (485)        | (4)          | (19)         |
|   | <u>-</u>     | <u>(485)</u> | <u>(4)</u>   | <u>(19)</u>  |
| At end of the year/period                   | <u>485</u>   | <u>144</u>   | <u>145</u>   | <u>131</u>   |

The individually impaired other receivables relate to other debtors that were in financial difficulties or were in default in payments and only a portion of the receivables is expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

## 21. Pledged Deposits and Cash and Bank Balances

|                            | 31 December   |               | 30 September   |               |
|----------------------------|---------------|---------------|----------------|---------------|
|                            | 2008          | 2009          | 2010           | 2011          |
|                            | HK\$'000      | HK\$'000      | HK\$'000       | HK\$'000      |
| Cash on hand               | 59            | 83            | 145            | 399           |
| Bank balances              | 29,794        | 64,122        | 104,333        | 30,377        |
| Non-pledged fixed deposits | <u>4,612</u>  | <u>9,184</u>  | <u>10,935</u>  | <u>8,361</u>  |
| Cash and bank balances     | <u>34,465</u> | <u>73,389</u> | <u>115,413</u> | <u>39,137</u> |
| Pledged deposits           | <u>5,912</u>  | <u>5,735</u>  | <u>5,342</u>   | <u>1,418</u>  |



Pledged deposits represent deposits pledged to banks to secure general banking facilities, bank overdrafts and short-term bank loans granted to the Group, and bank guarantees provided to customers (Note 22). The pledged deposits will be released upon the settlement of relevant bank borrowings and the expiry of relevant bank guarantees.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Pledged deposits earn interest at the respective short-term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

Included in bank deposits and cash and bank balances were the following amounts denominated in currencies other than the functional currencies of the relevant group companies:

|                      | 31 December |              | 30 September |            |
|----------------------|-------------|--------------|--------------|------------|
|                      | 2008        | 2009         | 2010         | 2011       |
|                      | HK\$'000    | HK\$'000     | HK\$'000     | HK\$'000   |
| United States dollar | 997         | 999          | 3,244        | 401        |
| EUR                  | 8           | 17           | 2,092        | 141        |
| Japanese yen         | 99          | 2,049        | 382          | 112        |
|                      | <u>997</u>  | <u>2,049</u> | <u>3,244</u> | <u>401</u> |

## 22. Bank Loans and Overdrafts

|                                     | 31 December   |               | 30 September  |               |
|-------------------------------------|---------------|---------------|---------------|---------------|
|                                     | 2008          | 2009          | 2010          | 2011          |
|                                     | HK\$'000      | HK\$'000      | HK\$'000      | HK\$'000      |
| Bank overdrafts repayable on demand | 2,699         | 2,790         | 1,368         | 1             |
| Bank loans                          | 20,269        | 20,470        | 22,323        | 11,292        |
|                                     | <u>22,968</u> | <u>23,260</u> | <u>23,691</u> | <u>11,293</u> |
| Carrying amount repayable:          |               |               |               |               |
| On demand or within one year        | 22,968        | 23,260        | 20,396        | 9,187         |
| Two years to five years, inclusive  | –             | –             | 3,295         | 2,106         |
|                                     | <u>22,968</u> | <u>23,260</u> | <u>23,691</u> | <u>11,293</u> |

The bank overdrafts bore interest at the prime lending rate of the bank during the Relevant Periods. The Group's banking facilities were secured by personal guarantees from a director of the Company, namely, Mr. Wong Koon Lup and a shareholder of the Company, namely Mr. Tay Choon Siang.

The bank loans bore interest at rates ranging from 5.58% to 8.54%, 5.58% to 8.54%, 5.0% to 10.53%, and 5.0% to 11.89% per annum at 31 December 2008, 2009 and 2010, and 30 September 2011 respectively. These bank loans were secured by corporate guarantees given by a subsidiary of the Company, namely, CW Group Pte. Ltd., and pledged deposits with carrying amounts of HK\$5,912,000, HK\$5,735,000, HK\$5,342,000 and HK\$1,418,000 at 31 December 2008, 2009 and 2010, and 30 September 2011 respectively. In addition to the above, a bank loan of KIWA–CW Machine Manufacturing (Shanghai) Co., Ltd was further secured by the corporate guarantee given by KIWA Machinery Co., Ltd. and a bank loan of CW Advanced Technologies Pte. Ltd. with a carrying amount of HK\$4,762,000 and HK\$4,233,000 as at 31 December 2009 and 31 December 2010 respectively was further secured by personal guarantees of the directors of the Company, namely, Mr. Wong Koon Lup and Mr. Wong Mun Sum.

Included in bank loans and overdrafts were the following amounts denominated in currency other than the functional currencies of the relevant group companies:

|                      | 31 December  |              | 30 September |              |
|----------------------|--------------|--------------|--------------|--------------|
|                      | 2008         | 2009         | 2010         | 2011         |
|                      | HK\$'000     | HK\$'000     | HK\$'000     | HK\$'000     |
| United States dollar | <u>1,785</u> | <u>1,785</u> | <u>1,797</u> | <u>1,339</u> |

### 23. Trade Payables

|                | 31 December   |               | 30 September   |                |
|----------------|---------------|---------------|----------------|----------------|
|                | 2008          | 2009          | 2010           | 2011           |
|                | HK\$'000      | HK\$'000      | HK\$'000       | HK\$'000       |
| Trade payables | 50,836        | 33,654        | 90,083         | 262,276        |
| Bills payables | <u>40,772</u> | <u>56,708</u> | <u>70,689</u>  | <u>54,938</u>  |
|                | <u>91,608</u> | <u>90,362</u> | <u>160,772</u> | <u>317,214</u> |

The following is an aged analysis of the Group's trade payables (excluding bills payable) at the end of each of the Relevant Periods, presented based on invoice date:

|                 | 31 December   |               | 30 September  |                |
|-----------------|---------------|---------------|---------------|----------------|
|                 | 2008          | 2009          | 2010          | 2011           |
|                 | HK\$'000      | HK\$'000      | HK\$'000      | HK\$'000       |
| 0 to 90 days    | 34,772        | 22,012        | 73,837        | 226,434        |
| 91 to 180 days  | 9,308         | 2,588         | 5,206         | 2,245          |
| 181 to 360 days | 2,333         | 5,010         | 8,088         | 27,491         |
| Over 360 days   | <u>4,423</u>  | <u>4,044</u>  | <u>2,952</u>  | <u>6,106</u>   |
|                 | <u>50,836</u> | <u>33,654</u> | <u>90,083</u> | <u>262,276</u> |

Bills payables were payable to the bank within 180 days for the Relevant Periods.

Included in trade payables were the following amounts denominated in currencies other than the functional currency of the relevant group companies:

|                      | 31 December |              | 30 September |           |
|----------------------|-------------|--------------|--------------|-----------|
|                      | 2008        | 2009         | 2010         | 2011      |
|                      | HK\$'000    | HK\$'000     | HK\$'000     | HK\$'000  |
| Singapore dollar     | 105         | 5            | –            | 6         |
| United States dollar | 1,907       | 12,019       | 38,248       | 6,408     |
| EUR                  | –           | 95           | 33,411       | 60,595    |
| Japanese yen         | 14,507      | 451          | 34,557       | 14,974    |
| Malaysia ringgit     | <u>–</u>    | <u>3,414</u> | <u>–</u>     | <u>38</u> |

## 24. Other Payables and Accruals

|  | 31 December   |               | 30 September   |                |
|--|---------------|---------------|----------------|----------------|
|  | 2008          | 2009          | 2010           | 2011           |
|  | HK\$'000      | HK\$'000      | HK\$'000       | HK\$'000       |
| Other payables   | 7,086         | 21,632        | 44,183         | 16,368         |
| Deposits received  | 45,884        | 56,526        | 50,417         | 72,072         |
| Accrued expenses   | 6,562         | 6,937         | 8,337          | 12,706         |
| Dividend payable   | 1,621         | 1,970         | 1,820          | 1,784          |
| Consideration payable for acquisition<br>of subsidiaries (Note 32) | —             | —             | 36,276         | —              |
|  | <u>61,153</u> | <u>87,065</u> | <u>141,033</u> | <u>102,930</u> |

The amounts due to related parties were unsecured, interest-free and repayable on demand.

Included in other payables were the following amounts denominated in currencies other than the functional currencies of the relevant group companies:

|                      | 31 December |           | 30 September |            |
|----------------------|-------------|-----------|--------------|------------|
|                      | 2008        | 2009      | 2010         | 2011       |
|                      | HK\$'000    | HK\$'000  | HK\$'000     | HK\$'000   |
| United States dollar | 3,520       | —         | 14           | 19,800     |
| EUR                  | 2,198       | 3,388     | 96           | 1,342      |
| Japanese yen         | 2,467       | —         | 3,469        | 5,670      |
| Singapore dollar     | —           | —         | 36,285       | 4,834      |
| Hong Kong dollar     | —           | —         | 147          | 665        |
| Chinese Renminbi     | —           | 67        | 286          | 648        |
|                      | <u>—</u>    | <u>67</u> | <u>286</u>   | <u>648</u> |

## 25. Finance Lease Payable

|   | Minimum lease payments |              |              |              | Present value of minimum lease payments |              |              |            |
|---|------------------------|--------------|--------------|--------------|---|--------------|--------------|------------|
|   | 31 December            |              | 30 September |              | 31 December                             |              | 30 September |            |
|   | 2008                   | 2009         | 2010         | 2011         | 2008                                    | 2009         | 2010         | 2011       |
|   | HK\$'000               | HK\$'000     | HK\$'000     | HK\$'000     | HK\$'000                                | HK\$'000     | HK\$'000     | HK\$'000   |
| Amounts payable:                          |                        |              |              |              |   |              |              |            |
| Within one year                           | 3,269                  | 2,103        | 1,611        | 728          | 2,942                                   | 1,830        | 1,461        | 648        |
| In the second to fifth years, inclusive   | <u>3,080</u>           | <u>2,763</u> | <u>1,228</u> | <u>784</u>   | <u>2,840</u>                            | <u>2,517</u> | <u>1,125</u> | <u>756</u> |
| Total minimum finance lease payments      | 6,349                  | 4,866        | 2,839        | 1,512        | 5,782                                   | 4,347        | 2,586        | 1,404      |
| Less: Future finance charges              | <u>(567)</u>           | <u>(519)</u> | <u>(253)</u> | <u>(108)</u> |   |              |              |            |
| Total net finance lease payable           | <u>5,782</u>           | <u>4,347</u> | <u>2,586</u> | <u>1,404</u> |   |              |              |            |
| Portion classified as current liabilities |                        |              |              |              | (2,942)                                 | (1,830)      | (1,461)      | (648)      |
| Non-current portion                       |                        |              |              |              | <u>2,840</u>                            | <u>2,517</u> | <u>1,125</u> | <u>756</u> |

The Group leased certain of its plant and equipment under finance leases. The average lease term is 5 years. Interest rates underlying all obligations under finance leases were fixed at respective contract dates ranging from 6.16% to 7.50%, 6.16% to 8.79%, 6.16% to 8.72% and 6.16% to 8.79% per annum for the years ended 31 December 2008, 2009 and 2010, and nine months ended 30 September 2011, respectively. All leases were on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

All lease obligations were denominated in the functional currencies of the respective entities.

The Group's obligations under finance leases were secured by the charge over the leased assets.

## 26. Deferred Tax

The following are the deferred tax assets recognised and movements thereon during the Relevant Periods:

|  | Revenue<br>deferred<br><i>HK\$'000</i> | Provisions<br><i>HK\$'000</i> | Unutilised<br>tax losses<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|--|--|-------------------------------|---|--------------------------|
| At 1 January 2008  | –                                      | 30                            | 52  | 82                       |
| Exchange differences   | –                                      | 4                             | 8   | 12                       |
| Credit to profit or loss during the year ( <i>Note 9</i> )               | –                                      | 16                            | 30  | 46                       |
|  | <u>–</u>                               | <u>16</u>                     | <u>30</u>                                   | <u>46</u>                |
| At 31 December 2008  | –                                      | 50                            | 90  | 140                      |
| (Charge)/credit to profit or loss<br>during the year ( <i>Note 9</i> )   | 146                                    | (5)                           | 34  | 175                      |
|  | <u>146</u>                             | <u>(5)</u>                    | <u>34</u>                                   | <u>175</u>               |
| At 31 December 2009  | 146                                    | 45                            | 124   | 315                      |
| Exchange differences   | 2                                      | 2                             | 1   | 5                        |
| Charge to profit or loss during the year ( <i>Note 9</i> )               | (115)                                  | –                             | (125)                                       | (240)                    |
|  | <u>(115)</u>                           | <u>–</u>                      | <u>(125)</u>                                | <u>(240)</u>             |
| At 31 December 2010  | 33                                     | 47                            | –   | 80                       |
| Exchange differences   | 1                                      | 1                             | –   | 2                        |
| (Charge)/credit to profit or loss<br>during the period ( <i>Note 9</i> ) | (34)                                   | 47                            | –   | 13                       |
|  | <u>(34)</u>                            | <u>47</u>                     | <u>–</u>                                    | <u>13</u>                |
| At 30 September 2011   | <u>–</u>                               | <u>95</u>                     | <u>–</u>                                    | <u>95</u>                |

*Unrecognised tax losses*

At the end of the Relevant Periods, the Group has tax losses of approximately HK\$777,000, HK\$5,718,000, HK\$5,718,000, and HK\$7,013,000 respectively, that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognized due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

The following are the deferred tax liabilities recognised and movements thereon during the Relevant Periods:

|  | <b>Accelerated tax<br/>depreciation</b> | <b>Provisions</b> | <b>Undistributed<br/>profits of PRC<br/>subsidiaries</b> | <b>Total</b>    |
|--|---|-------------------|--|-----------------|
|  | <i>HK\$'000</i>                         | <i>HK\$'000</i>   | <i>HK\$'000</i>  | <i>HK\$'000</i> |
| At 1 January 2008  | (128)                                   | –                 | –  | (128)           |
| Exchange differences<br>(Charge)/credit to profit or loss<br>during the year ( <i>Note 9</i> )   | (7)                                     | –                 | (52)   | (59)            |
|  | <u>26</u>                               | <u>12</u>         | <u>(3,638)</u>   | <u>(3,600)</u>  |
| At 31 December 2008  | (109)                                   | 12                | (3,690)  | (3,787)         |
| Exchange differences<br>(Charge)/credit to profit or loss<br>during the year ( <i>Note 9</i> )   | (4)                                     | –                 | (1)  | (5)             |
|  | <u>66</u>                               | <u>21</u>         | <u>(4,759)</u>   | <u>(4,672)</u>  |
| At 31 December 2009  | (47)                                    | 33                | (8,450)  | (8,464)         |
| Exchange differences<br>(Charge)/credit to profit or loss<br>during the year ( <i>Note 9</i> )   | 1                                       | 1                 | (510)  | (508)           |
|  | <u>191</u>                              | <u>–</u>          | <u>(6,434)</u>   | <u>(6,243)</u>  |
| At 31 December 2010  | 145                                     | 34                | (15,394)   | (15,215)        |
| Exchange differences<br>(Charge)/credit to profit or loss<br>during the period ( <i>Note 9</i> ) | 5                                       | (19)              | (631)  | (645)           |
|  | <u>–</u>                                | <u>220</u>        | <u>(3,877)</u>   | <u>(3,657)</u>  |
| At 30 September 2011   | <u>150</u>                              | <u>235</u>        | <u>(19,902)</u>  | <u>(19,517)</u> |

Pursuant to the PRC Corporate Income Tax Law, withholding tax is levied on dividends declared to foreign investor in respect of profits earned by the PRC subsidiary effective from 1 January 2008. Deferred taxation has been provided for in the combined statement of financial position in respect of temporary differences attributable to the profits earned by Tianjin FeiSiTe Machinery Co., Ltd. and CW International (Shanghai) Co., Ltd. for the Relevant Periods.

## 27. Redeemable Convertible Loan and Derivative Liabilities

Redeemable convertible loan and derivative liabilities comprise:

|                               |       | 31 December      |                  | 30 September     |                  |
|-------------------------------|-------|------------------|------------------|------------------|------------------|
|                               | Notes | 2008<br>HK\$'000 | 2009<br>HK\$'000 | 2010<br>HK\$'000 | 2011<br>HK\$'000 |
| Redeemable convertible loan   |       | <u>–</u>         | <u>–</u>         | <u>37,544</u>    | <u>53,096</u>    |
| Derivative liabilities        |       |                  |                  |                  |                  |
| – Pre-IPO investment          | (i)   | –                | –                | 9,354            | 9,101            |
| – Redeemable convertible loan | (ii)  | <u>–</u>         | <u>–</u>         | <u>33,660</u>    | <u>31,576</u>    |
|                               |       | <u>–</u>         | <u>–</u>         | <u>43,014</u>    | <u>40,677</u>    |

*(i) Pre-IPO investment*

The derivative relates to an anti-dilution clause stipulated in the sale and purchase agreement entered into between SG Tech Holdings Limited and Septwolves Group (Asia) Investments Limited (“Septwolves”) dated 9 April 2010 and supplemented by a supplemental agreement on 31 May 2010. The anti-dilution clause stipulates that Septwolves shareholdings would maintain at 6% of the enlarged share capital prior to the successful listing of the Group on an approved Stock Exchange through issuance and allotment of new shares to Septwolves in the event of new shares being issued so as to maintain Septwolves shareholdings at 6% of the enlarged share capital.

*(ii) Redeemable convertible loan*

Pursuant to a redeemable convertible loan agreement entered into, amongst others, SG Tech Holdings Limited and a number of investors (the “Investors”) dated 21 April 2010 (as supplemented by a supplemental and novation agreement dated 31 May 2010) and a supplemental deed dated 30 September 2010, SG Tech Holdings Limited was granted by the Investors a redeemable convertible loan of S\$9,000,000 (equivalent to HK\$50,027,000).

The redeemable convertible loan may be converted into fully-paid shares of SG Tech Holdings Limited on or before 30 September 2011 subject to grant of approval in-principle of the listing of the Company’s shares on the Stock Exchange. The redemption date has been extended to 30 September 2011 based on the supplemental agreement dated 30 September 2010 and further extended to 31 December 2011 by a letter dated 16 August 2011. If the redeemable convertible loan has not been converted, it will be redeemed on 31 December 2011 at the principal amount but the Investors have rights to extend the maturity date of the redeemable convertible loans to 30 September 2012. Salient changes to the terms of the redeemable convertible loan as amended in the supplemental deed dated 30 September 2010 include an additional interest of 5% and a fixed aggregate sum of S\$2,977,396. This substantial modification of the term of the redeemable convertible loan has been accounted for as an extinguishment of the original loan and the recognition of a new loan and a gain on derecognition of redeemable convertible loan of approximately HK\$13,523,000 has been recognised in the income statement for the financial year ended 31 December 2010.

Interest of 25% per annum will be charged if the redeemable convertible loan is not converted or redeemed on or before 31 December 2011 and the interest will be charged at 30% per annum if the maturity date of the redeemable convertible loan is further extended by the Investors on or after 31 December 2012.

As at 31 December 2011, the Investors agreed to extend the redemption date of the redeemable convertible loans to 31 March 2012.

Further information on the redeemable convertible loan has been set out in paragraph headed "Redeemable Convertible Loan Subscribers" in the section headed "Company History and Reorganisation" to the prospectus.

The redeemable convertible loan contains two components, embedded derivatives and liability component. Embedded derivatives comprise 3 components: conversion option, redemption option and liquidity event option. These options are presented in liabilities under the heading "Derivative liabilities". The effective interest rates of the liability component on initial recognition ranged from 140% to 161% per annum.

The movement of the liability component and various options of the redeemable convertible loan for the year 2010 and nine months ended 30 September 2011 is set out below:

|  | <b>Liability<br/>component</b><br><i>HK\$'000</i> | <b>Derivative<br/>liabilities</b><br><i>HK\$'000</i> |
|--|---|--|
| Proceeds of issue  | 30,700  | –  |
| Conversion/Redemption  | –   | 18,936   |
|  | <hr/>   | <hr/>  |
| Balances on initial recognition  | 30,700  | 18,936   |
| Interest charged to profit or loss ( <i>Note 7</i> )                         | 18,425  | –  |
| Less: Gain on derecognition of redeemable convertible loan ( <i>Note 7</i> ) | (13,523)  | –  |
| Change in fair value charged to profit or loss                               | –   | 13,356   |
| Foreign currency translation   | 1,942   | 1,368  |
|  | <hr/>   | <hr/>  |
| At 31 December 2010  | 37,544  | 33,660   |
|  | <hr/>   | <hr/>  |
| Interest charged to profit or loss ( <i>Note 7</i> )                         | 16,285  | –  |
| Change in fair value charged to profit or loss                               | –   | (1,425)  |
| Foreign currency translation   | (733)   | (659)  |
|  | <hr/>   | <hr/>  |
| At 30 September 2011   | <u>53,096</u>                                     | <u>31,576</u>  |

The liability component is measured at amortised cost. No interest was paid during the year ended 31 December 2010 and nine months ended 30 September 2011. The fair value of redeemable convertible loan and derivative liabilities were valued by an independent professional valuer, Asset Appraisal Limited. Valuations were based on discounted future cash flows taking into considerations certain parameters such as probability of conversion.

The total proceeds from convertible loans were HK\$50,027,000, segregated into liability component, derivative liabilities and capital contribution (Note 29) of HK\$30,700,000, HK\$18,936,000 and HK\$391,000, respectively.

## 28. Issued Capital

For the purpose of the preparation of the combined statements of financial position, the balance of the issued capital at the Relevant Periods represented the issued share capital of its subsidiary, SG Tech Holdings Limited.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands on 11 June 2010 with an initial authorised share capital of HK\$390,000 divided into 39,000,000 shares of HK\$0.01 each. Pursuant to the written resolutions passed by the shareholders of the Company on 14 March 2012, the authorised share capital of the Company was increased from HK\$390,000 to HK\$100,000,000 by the creation of 9,961,000,000 new shares.

Pursuant to a shares sale and purchase agreement entered into between SG Tech Holdings Limited and Septwolves Group (Asia) Investments Limited ("Septwolves") dated 9 April 2010 (as supplemented by a supplemental deed dated 31 May 2010), SG Tech Holdings Limited allotted and issued to Septwolves 137,906 new shares for cash consideration of HK\$16,500,000 on 13 July 2010.

On 13 July 2010, SG Tech Holdings Limited issued 500,000 new shares to WMS Holding Pte Ltd. (a controlling shareholder of SG Tech Holdings Limited) to extinguish a shareholder's loan with a carrying amount of S\$500,000 owing to WMS Holding Pte Ltd. by SG Tech Holdings Limited. WMS Holding Pte Ltd. is owned by Mr. Wong Koon Lup and Mr. Wong Mun Sum (both executive directors of the Company) as to 80% and 20%, respectively.

## 29. Other Reserves

|   | Notes | 31 December      |                  | 30 September     |                  |
|---|-------|------------------|------------------|------------------|------------------|
|   |       | 2008<br>HK\$'000 | 2009<br>HK\$'000 | 2010<br>HK\$'000 | 2011<br>HK\$'000 |
| Statutory reserve   | (a)   | 1,017            | 1,221            | 1,434            | 1,638            |
| Foreign currency translation reserve                        | (b)   | 5,173            | 5,967            | 8,640            | 13,906           |
| Capital contribution  | (c)   | -                | -                | 391              | 391              |
| Fair value of derivative                                    | (d)   | -                | -                | (2,000)          | (2,000)          |
| Premium paid for acquisition<br>of non-controlling interest |       | -                | -                | (90,012)         | (90,012)         |
|   |       | <u>6,190</u>     | <u>7,188</u>     | <u>(81,547)</u>  | <u>(76,077)</u>  |

### (a) Statutory reserve

In accordance with the Foreign Enterprise Law applicable to the subsidiaries of the Group in the People's Republic of China ("PRC"), the subsidiaries are required to make appropriation to a Statutory Reserve Fund ("SRF"). At least 10% of the statutory after tax profits as determined in accordance with the applicable PRC accounting standards and regulations must be allocated to the SRF until the cumulative total of the SRF reaches 50% of the respective subsidiaries' registered capital. Subject to approval from the relevant PRC authorities, the SRF may be used to offset any accumulated losses or increase the registered capital of the subsidiaries. The SRF is not available for dividend distribution to shareholders.

### (b) Foreign currency translation reserve

The foreign currency translation reserve represents exchange differences arising from translation of the financial statements of foreign operations, whose functional currencies are different from the Group's presentation currency.

### (c) Capital contribution

Capital contribution relates to the fair value of the put option granted by the existing major shareholders to subscribers of the redeemable convertible loan (as described in Note 27(ii)) to acquire the converted shares as and when desired by the subscribers to the redeemable convertible loan.

### (d) Fair value of derivative

Fair value of derivatives relates to fair value of anti-dilution clause at inception as described in Note 27(i). Subsequent fair value changes have been taken to the profit or loss.



**30. Capital Risk Management**

The Group manages its capital to ensure that the entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged throughout the Relevant Periods.

The capital structure of the Group consists of net debt (which includes amounts due to related companies, and bank and other borrowings), cash and cash equivalents and equity attributable to owners of the Company (comprising issued share capital and reserves).

The directors of the Company review the capital structure regularly. As part of this review, the directors consider the cost of capital and the risks associated with each class of the capital. The Group seeks to balance its overall capital structure through the payment of dividends and new share issues as well as the issue of new debt or the redemption of existing debt.

**31. Financial Instruments***(a) Categories of financial instruments*

|  | <b>31 December</b> |                 | <b>30 September</b> |                 |
|--|--------------------|-----------------|---------------------|-----------------|
|  | <b>2008</b>        | <b>2009</b>     | <b>2010</b>         | <b>2011</b>     |
|  | <i>HK\$'000</i>    | <i>HK\$'000</i> | <i>HK\$'000</i>     | <i>HK\$'000</i> |
| <b>Financial assets</b>                                |                    |                 |                     |                 |
| Trade receivables                                      | 138,441            | 144,389         | 232,483             | 474,931         |
| Other receivables<br>(current and non-current)         | 56,614             | 73,038          | 28,070              | 29,502          |
| Pledged deposits                                       | 5,912              | 5,735           | 5,342               | 1,418           |
| Cash and cash equivalents                              | 34,465             | 73,389          | 115,413             | 39,137          |
|  | <u>235,432</u>     | <u>296,551</u>  | <u>381,308</u>      | <u>544,988</u>  |
| <b>Financial liabilities</b>                           |                    |                 |                     |                 |
| Bank loans and overdrafts<br>(current and non-current) | 22,968             | 23,260          | 23,691              | 11,293          |
| Trade payables   | 91,608             | 90,362          | 160,772             | 317,214         |
| Other payables and accruals                            | 15,269             | 30,539          | 90,616              | 30,858          |
| Derivative liabilities                                 | –                  | –               | 43,014              | 40,677          |
| Redeemable convertible loan                            | –                  | –               | 37,544              | 53,096          |
| Finance lease payable<br>(current and non-current)     | 5,782              | 4,347           | 2,586               | 1,404           |
|  | <u>135,627</u>     | <u>148,508</u>  | <u>358,223</u>      | <u>454,542</u>  |

*(b) Financial risk management objectives and policies*

The Group has various financial assets and liabilities such as trade and other receivables and trade and other payables which arise directly from its operations. The Group does not hold or issue derivative financial instruments for speculative purposes. There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risk.

(i) *Foreign exchange risk management*

The Group's transacts business in various foreign currencies, including the United States dollar, EUR, Chinese Renminbi, British pound and Japanese yen and therefore is exposed to foreign exchange risk.

The Group manages its foreign exchange exposure as far as possible by matching the currency that it transact with its customers to the currency that it purchased in to create a natural hedge.

The Group has a number of investments in foreign subsidiaries, whose net assets are exposed to currency translation risk. No hedge has been taken up to mitigate this exposure as it does not impact cash flows.

At the reporting date, the carrying amounts of significant monetary assets and monetary liabilities denominated in currencies other than the respective group entities' functional currencies are as follows:

|                      | 31 December |          | 30 September  |               |
|----------------------|-------------|----------|---------------|---------------|
|                      | 2008        | 2009     | 2010          | 2011          |
|                      | HK\$'000    | HK\$'000 | HK\$'000      | HK\$'000      |
| <b>Liabilities</b>   |             |          |               |               |
| United States dollar | 7,212       | 13,804   | 40,059        | 24,869        |
| EUR                  | 2,198       | 3,483    | 33,507        | 61,937        |
| Japanese yen         | 16,974      | 451      | 38,026        | 20,644        |
| Singapore dollar     | 105         | 5        | 36,285        | 4,840         |
| Malaysia ringgit     | -           | 3,414    | -             | 38            |
| Chinese Renminbi     | -           | 67       | 286           | 648           |
| Hong Kong dollar     | -           | -        | 147           | 665           |
|                      | <u>-</u>    | <u>-</u> | <u>147</u>    | <u>665</u>    |
| <b>Assets</b>        |             |          |               |               |
| United States dollar | 17,092      | 16,177   | 89,841        | 144,100       |
| EUR                  | 5,598       | 1,244    | 29,847        | 223,975       |
| Japanese yen         | 8,402       | 18,105   | 7,829         | 25,690        |
| Singapore dollar     | 2,508       | 2,070    | 1,019         | 10            |
| Swiss franc          | -           | -        | 18,688        | 14,548        |
|                      | <u>-</u>    | <u>-</u> | <u>18,688</u> | <u>14,548</u> |

## Foreign currency sensitivity

The following table details the sensitivity to a 10% increase in the relevant foreign currencies against the functional currency of each entity. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible maximum change in foreign exchange rates of major trading currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 10% change in foreign currency rates.

If the relevant foreign currency strengthens by 10% against the functional currency of each entity, with all other variables held constant, profit before tax will increase/(decrease) by:

|                      | 31 December |          | 30 September |          |
|----------------------|-------------|----------|--------------|----------|
|                      | 2008        | 2009     | 2010         | 2011     |
|                      | HK\$'000    | HK\$'000 | HK\$'000     | HK\$'000 |
| <b>Impact of:</b>    |             |          |              |          |
| United States dollar | 998         | 237      | 4,978        | 11,923   |
| EUR                  | 340         | (224)    | (366)        | 16,204   |
| Japanese yen         | (857)       | 1,765    | (3,020)      | 505      |
| Singapore dollar     | 240         | 206      | (3,527)      | (483)    |
| Swiss franc          | -           | -        | 1,869        | 1,455    |
| Malaysia ringgit     | -           | (341)    | -            | (4)      |
| Chinese Renminbi     | -           | (7)      | (29)         | (65)     |
| Hong Kong dollar     | -           | -        | (15)         | (65)     |

If the relevant foreign currency weakens by 10% against the functional currency of each entity, the effects on profit or loss will be vice versa.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the Relevant Periods.

(ii) *Interest rate risk management*

Interest rate risk arises from potential changes in interest rates that may have an adverse effect on the Group's results in the Relevant Periods and in future years.

The sensitivity analysis below have been determined based on the exposures to interest rates for significant non-derivatives instruments at the end of each reporting period and the stipulated change taking place at the beginning of each reporting period and held constant throughout the period in the case of instruments that have floating rates.

At 31 December 2008, 2009 and 2010, and 30 September 2011, it is estimated that a 50 basis point increase in interest rates would decrease the Group's profit before tax by approximately HK\$118,000, HK\$112,000, HK\$89,000, and HK\$41,000, respectively.

(iii) *Credit risk management*

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's exposure of its counterparties is consistently monitored. Credit exposure is controlled by the counterparty limits that are reviewed and approved by the management on ongoing basis.

The maximum exposure to credit risk in the event that counterparties fail to perform their obligations as at the end of each reporting period in relation to trade receivables is the carrying amount of trade receivables as stated in the combined statements of financial position at the end of each reporting period.

The Group manages credit risk by trading only with recognised and creditworthy third parties. Receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

(iv) *Liquidity risk management*

Liquidity risk reflects the risk that the Group will have insufficient resources to meet its financial liabilities as they fall due. In the management of the liquidity risks, the Group actively manages its debt maturity profile, operating cash flows and availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall liquidity management, the Group maintains sufficient level of cash to meet its working capital requirement. In addition, the Group strives to maintain available banking facilities of a reasonable level to its overall debt position.

(v) *Non-derivative financial liabilities*

The following tables detail the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

|                             | On demand<br>or within<br>1 year<br>HK\$'000 | Within<br>2 to 5<br>years<br>HK\$'000 | Total<br>HK\$'000 |
|-----------------------------|--|---------------------------------------|-------------------|
| <b>31 December 2008</b>     |  |                                       |                   |
| Bank loans and overdrafts   | 23,416                                       | –                                     | 23,416            |
| Trade payables              | 91,608                                       | –                                     | 91,608            |
| Other payables and accruals | 15,269                                       | –                                     | 15,269            |
| Finance lease payable       | 3,269  | 3,080                                 | 6,349             |
|                             | <u>23,416</u>                                | <u>3,080</u>                          | <u>26,496</u>     |
| <b>31 December 2009</b>     |  |                                       |                   |
| Bank loans and overdrafts   | 25,070                                       | –                                     | 25,070            |
| Trade payables              | 90,362                                       | –                                     | 90,362            |
| Other payables and accruals | 30,539                                       | –                                     | 30,539            |
| Finance lease payable       | 2,103  | 2,763                                 | 4,866             |
|                             | <u>25,070</u>                                | <u>2,763</u>                          | <u>27,833</u>     |
| <b>31 December 2010</b>     |  |                                       |                   |
| Bank loans and overdrafts   | 21,563                                       | 3,478                                 | 25,041            |
| Trade payables              | 160,772                                      | –                                     | 160,772           |
| Other payables and accruals | 90,616                                       | –                                     | 90,616            |
| Finance lease payable       | 1,611  | 1,228                                 | 2,839             |
| Redeemable convertible loan | 37,544                                       | –                                     | 37,544            |
|                             | <u>21,563</u>                                | <u>3,478</u>                          | <u>25,041</u>     |
| <b>30 September 2011</b>    |  |                                       |                   |
| Bank loans and overdrafts   | 10,374                                       | 2,380                                 | 12,754            |
| Trade payables              | 317,214                                      | –                                     | 317,214           |
| Other payables and accruals | 30,858                                       | –                                     | 30,858            |
| Redeemable convertible loan | 53,096                                       | –                                     | 53,096            |
| Finance lease payable       | 728  | 784                                   | 1,512             |
|                             | <u>10,374</u>                                | <u>2,380</u>                          | <u>12,754</u>     |

*(c) Fair value and fair value hierarchy*

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Cash and bank balances, pledged deposits, trade receivables, trade payables, financial assets included in other receivables, financial liabilities included in other payables and accruals, amounts due from/to related parties and jointly-controlled entities approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The fair values of the non-current portion of bank loans and finance lease payables are reasonable approximation of fair values either due to the relatively short term nature or that they are floating rate instruments that are re-priced to market interest rates on or near balance sheet date.

*Fair value hierarchy*

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

- Level 1: Fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: Fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: Fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

|                        | <b>31 December</b> |                 | <b>30 September</b> |                 |
|------------------------|--------------------|-----------------|---------------------|-----------------|
|                        | <b>2008</b>        | <b>2009</b>     | <b>2010</b>         | <b>2011</b>     |
|                        | <i>HK\$'000</i>    | <i>HK\$'000</i> | <i>HK\$'000</i>     | <i>HK\$'000</i> |
| <b>Level 3</b>         |                    |                 |                     |                 |
| Derivative liabilities | —                  | —               | 43,014              | 40,677          |
|                        | <u>—</u>           | <u>—</u>        | <u>43,014</u>       | <u>40,677</u>   |

*Reconciliation of Level 3 fair value measurements of financial liabilities*

|   | <b>Unlisted<br/>options</b><br><i>HK\$'000</i> |
|---|--|
| Pre-IPO investment and redeemable convertible loan                    |  |
| Fair value at the inception date                                      | 20,936   |
| Total gain or losses in profit or loss                                | 19,185   |
| Foreign currency translation recognized in other comprehensive income | <u>2,893</u>                                   |
| At 31 December 2010   | <u><u>43,014</u></u>                           |
| At 1 January 2011   | 43,014   |
| Total gains or losses in profit or loss                               | (1,678)  |
| Foreign currency translation recognized in other comprehensive income | <u>(659)</u>                                   |
| At 30 September 2011  | <u><u>40,677</u></u>                           |

**32. Acquisition of Additional Interests in Subsidiaries**

On 30 November 2010, the Group acquired the balance 49% equity interest in Fu Yang International Co., Ltd. for a consideration of approximately S\$15,481,000 (equivalent to HK\$92,906,000) to be satisfied by part cash of S\$6,000,000 and the issue of 800,000 new shares in a subsidiary of the Company, namely SG Tech Holdings Limited. Fu Yang International Co., Ltd. and its wholly owned subsidiary, namely Tianjin FeiSiTe Machinery Co., Ltd. (collectively, referred to as "Fuyang International subgroup"). The carrying value of the net assets of Fuyang International subgroup on 30 November 2010 was HK\$5,906,000 and the carrying value of the additional interest acquired was HK\$2,894,000. The difference of HK\$90,012,000 between the consideration and the carrying value of the additional interest acquired has been recognized as "Premium paid on acquisition of non-controlling interests" within equity. The following summarises the effect of the change in the Group's ownership interest in Fuyang International subgroup on the equity attributable to owners of the parent:

|   |                      |
|---|----------------------|
| <b>Consideration paid for acquisition of non-controlling interests:</b> | <i>HK\$'000</i>      |
| – Cash  | 35,336               |
| – Issuance of shares  | <u>57,570</u>        |
|   | 92,906               |
| Decrease in equity attributable to non-controlling interests            | <u>(2,894)</u>       |
| Premium paid on acquisition of non-controlling interests                | 90,012               |
| Add: Issuance of shares   | <u>(57,570)</u>      |
| Decrease in equity attributable to owners of the parent                 | <u><u>32,442</u></u> |

**33. Major Non-cash Transactions**

During the Relevant Periods, the Group entered into the following non-cash investing and financing activities which are not reflected in the combined statements of cash flows:

- (i) During the years ended 31 December 2008 and 2009, items of property, plant and equipment with cost of HK\$181,000 and HK\$218,000 respectively were acquired under finance leases;
- (ii) During the year ended 31 December 2008, 270,524 new shares in a subsidiary of the Company, CW Group Pte. Ltd., were issued to satisfy the consideration for acquisition of 51% equity interest in FNW International Pte. Ltd which was completed on 6 March 2007.
- (iii) During the year ended 31 December 2010 and nine months period ended 30 September 2011, dividend payable to non-controlling interest of HK\$23,616,000 (equivalent to RMB20,000,000) and HK\$49,954,000 (equivalent to RMB41,488,000), respectively were set off against amounts due from the non-controlling interest.
- (iv) During the year ended 31 December 2010, 800,000 new shares in a subsidiary of the Company, SG Tech Holdings Limited, were issued to satisfy the consideration for acquisition of 49% equity interest in Fu Yang International Co., Ltd.

**34. Operating Leases****(a) Operating leases – as lessee**

|   | Year ended 31 December |              |              | 9 months ended<br>30 September |              |
|---|------------------------|--------------|--------------|--------------------------------|--------------|
|   | 2008                   | 2009         | 2010         | 2010                           | 2011         |
|   | HK\$'000               | HK\$'000     | HK\$'000     | HK\$'000                       | HK\$'000     |
|   |                        |              |              | (Unaudited)                    |              |
| Minimum lease payments paid under operating leases during the Relevant Periods: |                        |              |              |                                |              |
| Premises  | 1,608                  | 1,810        | 2,102        | 1,782                          | 2,274        |
| Office equipment  | 72                     | 150          | 108          | 88                             | 65           |
|   | <u>1,680</u>           | <u>1,960</u> | <u>2,210</u> | <u>1,870</u>                   | <u>2,339</u> |

At 31 December 2008, 2009 and 2010, and 30 September 2011, the Group had commitments for future minimum lease payments under non-cancelable operating leases in respect of rented premises and office equipment which fall due as follows:

|   | 31 December  |              | 30 September |              |
|---|--------------|--------------|--------------|--------------|
|   | 2008         | 2009         | 2010         | 2011         |
|   | HK\$'000     | HK\$'000     | HK\$'000     | HK\$'000     |
| Within one year                         | 1,698        | 2,915        | 2,208        | 3,112        |
| In the second to fifth years, inclusive | 2,990        | 5,597        | 3,592        | 3,496        |
| More than five years                    | 328          | –            | –            | –            |
|   | <u>5,016</u> | <u>8,512</u> | <u>5,800</u> | <u>6,608</u> |

**(b) Operating leases – as lessor**

The Group has entered into commercial property leases via subletting arrangements and receives a rental income subjected to annual revision based on prevailing market conditions. These non-cancellable leases have remaining lease terms of not later than one year.

Future minimum rental receivables under non-cancellable operating leases at the end of the reporting period are as follows:

|                 | 31 December |          | 30 September |          |
|-----------------|-------------|----------|--------------|----------|
|                 | 2008        | 2009     | 2010         | 2011     |
|                 | HK\$'000    | HK\$'000 | HK\$'000     | HK\$'000 |
| Within one year | 136         | 557      | –            | –        |

**35. Contingent Liabilities**

- (a) The Group has provided banker's guarantees of S\$0.7 million (equivalent to HK\$3.8 million), and S\$2.6 million (equivalent to HK\$14.4 million) to outside parties for the performance of contracts at 31 December 2008 and 2009, respectively.
- (b) The Group leases certain of its properties for office and production purposes. These leases maybe considered as invalid leases under the laws of the jurisdiction in which the Group operates in. The Group also did not register its leases with the relevant authorities as required under the laws and regulations of the same jurisdiction in which the Group operates in.

As a result, the Group maybe required to relocate its office and production facilities in the event there is a dispute with the landlord. The Group may incur relocation costs of not more than HK\$2.3 million for which the management believes the likelihood of dispute and relocation is remote.

**36. Related Party Disclosures****(a) Transactions with related parties**

During the Relevant Periods, the Group entered into the following significant transactions with related parties:

*Companies formerly controlled by Mr. Fu Junwu*

| Relationship/<br>Name of related party/<br>Nature of transaction | Year ended 31 December |          |          | 9 months ended<br>30 September |          |
|--|------------------------|----------|----------|--------------------------------|----------|
|  | 2008                   | 2009     | 2010     | 2010                           | 2011     |
|  | HK\$'000               | HK\$'000 | HK\$'000 | HK\$'000                       | HK\$'000 |
|  |                        |          |          | (Unaudited)                    |          |

Fuyang Cement Equipment  
(Tianjin) Co., Ltd.

|                   |       |       |   |   |   |
|-------------------|-------|-------|---|---|---|
| Sales of goods    | 8,931 | –     | – | – | – |
| Purchase of goods | –     | 4,854 | – | – | – |

## LV技術工程(天津)有限公司

|                                 |       |       |   |   |   |
|---------------------------------|-------|-------|---|---|---|
| Sales of goods                  | 688   | 1,672 | – | – | – |
| Repair and maintenance expenses | 1,619 | –     | – | – | – |

## 富士摩根冷卻機(天津)有限公司

|                |   |   |       |     |   |
|----------------|---|---|-------|-----|---|
| Sales of goods | – | – | 1,304 | 176 | – |
|----------------|---|---|-------|-----|---|

*Company controlled by Mr. Fu Junwu*

## 天津市興彩科工貿有限公司

|                 |     |     |     |    |    |
|-----------------|-----|-----|-----|----|----|
| Rental expenses | 109 | 104 | 105 | 32 | 66 |
|-----------------|-----|-----|-----|----|----|

*Jointly-controlled entities*KIWA-CW Machine  
Manufacturing (Shanghai) Co., Ltd.

|                    |       |       |       |       |     |
|--------------------|-------|-------|-------|-------|-----|
| Sales of goods     | 44    | 254   | 1,130 | 521   | 473 |
| Purchases of goods | 2,518 | 1,829 | 1,841 | 1,205 | 380 |



During the Relevant Periods, the Group entered into the following significant transactions with related parties:

*A shareholder of the jointly-controlled entities*

| Relationship/<br>Name of related party/<br>Nature of transaction | Year ended 31 December |                  |                  | 9 months ended<br>30 September |                  |
|--|------------------------|------------------|------------------|--------------------------------|------------------|
|  | 2008<br>HK\$'000       | 2009<br>HK\$'000 | 2010<br>HK\$'000 | 2010<br>HK\$'000               | 2011<br>HK\$'000 |
| KIWA Machinery Co., Ltd.   |                        |                  |                  |                                |                  |
| Sales of goods   | 6,613                  | 1,659            | 1,217            | 881                            | 2,257            |
| Purchases of goods   | 137                    | 2,455            | 327              | 140                            | 742              |
| Royalty expenses   | –                      | –                | 165              | 110                            | 196              |

(Unaudited)

The directors considered that the above transactions were conducted on normal commercial terms and in the ordinary course of the Group's business.

Except for the transactions with a company controlled by Mr. Fu Junwu, 天津市興彩科工貿有限公司, jointly-controlled entities and KIWA Machinery Co., Ltd., the directors of the Company confirmed that the transactions with the above related parties would be discontinued after the listing of the Company's shares on the Stock Exchange.

In August 2011, Mr. Fu Junwu provided personal guarantees to the Group regarding the repayment of short term loans to certain employees of approximately HK\$6.4 million (see note 20).

During the Relevant Periods, certain general banking facilities and bank borrowings were secured by personal guarantees from the directors of the Company, namely, Mr. Wong Koon Lup, Mr. Wong Mun Sum and a shareholder of the Company, namely, Mr. Tay Choon Siong. The directors of the Company confirmed that these personal guarantees would be replaced by the Company's guarantees upon the listing of the Company's shares on the Stock Exchange.

**(b) Outstanding balances with related parties**

An analysis of the balances with related parties is as follows:

*Due from related parties (Trade receivables)*

| Name of related party   | Notes | 31 December      |                  | 30 September     |                  |
|---|-------|------------------|------------------|------------------|------------------|
|   |       | 2008<br>HK\$'000 | 2009<br>HK\$'000 | 2010<br>HK\$'000 | 2011<br>HK\$'000 |
| Fuyang Cement Equipment<br>(Tianjin) Co., Ltd. (富陽水泥<br>裝備(天津)有限公司) | (i)   | 10,601           | 9,542            | –                | –                |
| 富士摩根冷卻機(天津)有限公司   | (i)   | –                | –                | 638              | 6,294            |
| KIWA-CW Machine Manufacturing<br>(Shanghai) Co., Ltd.               | (ii)  | 86               | 293              | 97               | 706              |
| KIWA Machinery Co., Ltd   | (iii) | 341              | 121              | 152              | 804              |
|   |       | <u>11,028</u>    | <u>9,956</u>     | <u>887</u>       | <u>7,804</u>     |

*Notes*

- (i) A director of a subsidiary, Mr. Fu Junwu had beneficial interests in this company during the year ended 31 December 2008.
- (ii) Jointly-controlled entity.
- (iii) A shareholder of the joint-controlled entities.

*Due from related parties (Other receivables)*

| Name of related party                                 | Notes | 31 December      |                  | 30 September     |                  |
|---|-------|------------------|------------------|------------------|------------------|
|   |       | 2008<br>HK\$'000 | 2009<br>HK\$'000 | 2010<br>HK\$'000 | 2011<br>HK\$'000 |
| 天津市興彩科工貿有限公司  | (i)   | 118              | –                | –                | 40               |
| Fuyang Cement Equipment (Tianjin) Co., Ltd.           | (i)   | 2,044            | 14,767           | –                | –                |
| 富士摩根冷卻機(天津)有限公司                                       | (ii)  | 2,271            | 18,629           | –                | 3,787            |
| LV技術工程(天津)有限公司  | (ii)  | 6,983            | –                | –                | 2,810            |
| Mr. Wong Koon Lup, a director of the Company          |       | 1,010            | 1,341            | –                | 110              |
| Mr. Wong Mun Sum, a director of the Company           |       | 2,027            | 994              | –                | –                |
| Mr. Fu Junwu  | (iii) | 8,774            | 1,792            | 223              | 109              |
| KIWA-CW Machine Manufacturing Pte. Ltd.               | (iv)  | 959              | 1,616            | 1,750            | 1,813            |
| KIWA-CW Machine Manufacturing<br>(Shanghai) Co., Ltd. | (iv)  | 232              | 18               | 682              | 3,374            |
| KIWA Machinery Co Ltd                                 | (vi)  | 28               | 43               | 59               | 46               |
| Septwolves Group (Asia) Investments Limited           | (v)   | –                | –                | 4,843            | –                |
|   |       | <u>24,446</u>    | <u>39,200</u>    | <u>7,557</u>     | <u>12,089</u>    |

*Notes*

- (i) A director of a subsidiary, Mr. Fu Junwu had beneficial interests in this company during the Relevant Periods.
- (ii) A director of a subsidiary, Mr. Fu Junwu had beneficial interests in these companies during the year ended 31 December 2008.
- (iii) Non-controlling interest and a director of a subsidiary.
- (iv) Jointly-controlled entity.
- (v) Pre-IPO investors.
- (vi) A shareholder of the joint-controlled entities.

The amounts due from related parties were unsecured, interest-free and repayable on demand.

*Due to related parties (Trade payables)*

| Name of related party                              | Notes | 31 December      |                  | 30 September     |                  |
|--|-------|------------------|------------------|------------------|------------------|
|  |       | 2008<br>HK\$'000 | 2009<br>HK\$'000 | 2010<br>HK\$'000 | 2011<br>HK\$'000 |
| KIWA-CW Machine Manufacturing (Shanghai) Co., Ltd. | (i)   | 3,820            | 1,929            | 568              | 627              |
| KIWA Machinery Co., Ltd                            | (ii)  | 117              | 314              | 363              | 2,069            |
|  |       | <u>3,937</u>     | <u>2,243</u>     | <u>931</u>       | <u>2,696</u>     |

*Notes*

- (i) Jointly-controlled entity.
- (ii) A shareholder of the jointly-controlled entities.

*Due to related parties (Other payables)*

| Name of related party                              | Notes | 31 December      |                  | 30 September     |                  |
|--|-------|------------------|------------------|------------------|------------------|
|  |       | 2008<br>HK\$'000 | 2009<br>HK\$'000 | 2010<br>HK\$'000 | 2011<br>HK\$'000 |
| WMS Holdings                                       |       | -                | -                | 2,975            | -                |
| 天津市興彩科工貿有限公司                                       | (i)   | 72               | 500              | 11               | 174              |
| 富士摩根冷卻機(天津)有限公司                                    | (ii)  | -                | 10               | -                | -                |
| Mr. Wong Koon Lup, a director of the Company       |       | 2                | 2,776            | 1                | 400              |
| Mr. Wong Mun Sum, a director of the Company        |       | 22               | 22               | 25               | 331              |
| Mr. Chan Cheow Hai, a director of the Company      |       | -                | 11,025           | -                | -                |
| Mr. Fu Junwu                                       | (ii)  | -                | 57               | 58,440           | -                |
| KIWA-CW Machine Manufacturing Pte. Ltd.            | (iii) | 16               | 26               | 33               | 10               |
| KIWA-CW Machine Manufacturing (Shanghai) Co., Ltd. | (iii) | 23               | 1,739            | 2,993            | 355              |
| KIWA Machinery Co., Ltd                            | (iv)  | -                | -                | 418              | 1,322            |
|  |       | <u>135</u>       | <u>16,155</u>    | <u>64,896</u>    | <u>2,592</u>     |

*Notes*

- (i) A director of a subsidiary, Mr. Fu Junwu had beneficial interests in this company during the Relevant Periods.
- (ii) Non-controlling interests and a director of a subsidiary.
- (iii) Jointly-controlled entity.
- (iv) A shareholder of the jointly-controlled entities.

The amounts due to related parties were unsecured, interest-free and repayable on demand.

(c) *Compensation of key management personnel*

The remuneration of the Company's directors, who are also identified as members of key management of the Group, are set out in Note 10.

**37. Events after the Reporting Period**

In addition to the subsequent events detailed elsewhere in this report, the companies now comprising the Group completed the Reorganisation in preparation for the listing of the Company's shares on the Stock Exchange. Further details of the Reorganisation are set out in the section headed "Company History and Reorganisation" in the Prospectus and in Appendix VI "Statutory and General Information" to the Prospectus.

**III. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared by the Group or any of its subsidiaries in respect of any period subsequent to 30 September 2011.

*The information set forth in this Appendix does not form part of the Accountants' Report prepared by the reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, as set forth in Appendix I to this Prospectus, and is included herein for illustrative purpose only.*

*The unaudited pro forma financial information should be read in conjunction with "Financial Information" and Appendix I – Accountants' Report".*

The following unaudited pro forma financial information prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purpose only, and is set out here to provide the prospective investors with further information about how the proposed listing might have affected the combined net tangible assets of our Group as of 30 September 2011 after completion of our Global Offering.

The accompanying unaudited pro forma financial information of our Company is based on currently available information along with a number of assumptions, estimates and uncertainties. As a result of these assumptions, estimates and uncertainties, the accompanying unaudited pro forma financial information of our Company does not purport to predict our Company's future financial position. Although reasonable care has been exercised in preparing the said information, prospective investors who read the information should bear in mind that these figures are inherently subject to adjustments and may not give a true picture of the Group's financial position following the completion of the Global Offering.

**(A) UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS**

The following unaudited pro forma adjusted combined net tangible assets of the Group have been prepared based on the combined net tangible assets as of 30 September 2011 as extracted from Accountants' Report, the text of which is set out in Appendix I to this Prospectus, and is adjusted as described below.

The unaudited pro forma adjusted combined net tangible assets have been prepared for illustrative purpose only and, because of their nature, they may not give a true picture of the financial position of the Group as of 30 September 2011 or any future dates.

The following unaudited pro forma adjusted combined net tangible assets have been prepared to show the effect on the combined net tangible assets as of 30 September 2011 as if the Global Offering had occurred on 30 September 2011:

|  | Audited<br>combined net<br>tangible assets<br><i>HK\$'000</i> | Conversion of<br>redeemable<br>convertible<br>loan and<br>derivative<br>liabilities <sup>(1)</sup><br><i>HK\$'000</i> | Estimated<br>net proceeds<br>from the<br>Global<br>Offering <sup>(2)</sup><br><i>HK\$'000</i> | Unaudited<br>pro forma<br>adjusted<br>combined<br>net tangible<br>assets <sup>(3)</sup><br><i>HK\$'000</i> | Unaudited<br>-pro forma net<br>tangible assets<br>per Share <sup>(4)</sup><br><i>HK\$</i> |
|--|---|---|---|--|---|
| Based on an Offer Price<br>of HK\$1.33 per Offer Share | <u>153,518</u>  | <u>93,773</u>   | <u>163,832</u>  | <u>411,123</u>   | <u>0.67</u>   |
| Based on an Offer Price<br>of HK\$1.73 per Offer Share | <u>153,518</u>  | <u>93,773</u>   | <u>221,877</u>  | <u>469,168</u>   | <u>0.76</u>   |

*Notes:*

- (1) According to the terms of the Redeemable Convertible Loan Agreement, the principal amount of the redeemable convertible loan will be fully converted into shares of the Company upon the Reorganisation. The related derivative liabilities will then become nil value upon conversion of the redeemable convertible loan.
- (2) The estimated net proceeds from the Global Offering of 150,000,000 new Shares are based on the minimum and maximum Offer Price of HK\$1.33 and HK\$1.73 per Offer Share respectively, after deduction of the underwriting fees and other related expenses payable by the Company. The listing expenses have been deducted against equity and have not been apportioned between equity and profit or loss account as the apportionment is not determinable at this juncture.
- (3) The unaudited pro forma adjusted combined net tangible asset is arrived at based on the 150,000,000 new Shares expected to be in issue immediately following completion of the Global Offering and the Capitalization Issue but takes no account of any Shares which may fail to be allotted and issued upon the exercise of options which may be granted under the Share Option Scheme or which may be allotted and issued or repurchased by the Company pursuant to the general mandates granted to the Directors as referred to in the paragraph headed "Written resolutions of our Shareholders passed on 14 March 2012" in the section headed "Statutory and General Information" in Appendix V in this prospectus.
- (4) The unaudited pro forma net tangible asset per Share is arrived at after the adjustments referred to in the preceding paragraph and on the basis that a total of 616,417,000 Shares were in issue as at 30 September 2011.

**(B) COMFORT LETTER ON UNAUDITED PRO FORMA FINANCIAL INFORMATION**

*The following is the text of a report received from the reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this prospectus, in respect of the unaudited pro forma financial information on the Group:*



22 Floor, CITIC Tower  
1 Tim Mei Avenue  
Central  
Hong Kong

20 March 2012

**The Directors**  
**CW Group Holdings Limited**

**Guotai Junan Capital Limited**

Dear Sirs,

We report on the unaudited pro forma adjusted combined net tangible assets (the “Unaudited Pro Forma Financial Information”) of CW Group Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”), which have been prepared by the directors of the Company (the “Directors”) for illustrative purposes only, to provide information about how the global offering of 150,000,000 new Offer Shares of HK\$0.01 each in the capital of the Company might have affected the financial information presented, for inclusion in Appendix II to the prospectus of the Company dated 20 March 2012 (the “Prospectus”). The basis of preparation of the Unaudited Pro Forma Financial Information is set out in Appendix II to the Prospectus.

**Respective Responsibilities of the Directors and Reporting Accountants**

It is the responsibility solely of the Directors to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

**Basis of Opinion**

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments, and discussing the Unaudited Pro Forma Financial Information with the Directors. This engagement did not involve independent examination of any of the underlying financial information.

Our work did not constitute an audit or a review made in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA, and accordingly, we do not express any such audit or review assurance on the Unaudited Pro Forma Financial Information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the bases stated, that such bases are consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to Paragraph 4.29(1) of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the Directors, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 30 September 2011 or any future dates.

**Opinion**

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the bases stated;
- (b) such bases are consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to Paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

**Ernst & Young**  
*Certified Public Accountants*  
Hong Kong



*The following is the preliminary financial information of the Company and its subsidiaries for the year ended 31 December 2011 (“2011 Preliminary Financial Information”) together with the discussion and analysis of the Group’s financial condition and results of operations. The combined 2011 Preliminary Financial Information were not audited. Investors who read the information should bear in mind that such 2011 Preliminary Financial Information in this Appendix may be subject to adjustments.*

**COMBINED STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011**

|   | <i>Notes</i> | <b>2011</b><br><i>HK\$’000</i><br>(Unaudited) | <b>2010</b><br><i>HK\$’000</i> |
|---|--------------|---|--------------------------------|
| <b>Revenue</b>  | 4            | 753,566                                       | 469,450                        |
| Cost of sales   |              | <u>(574,097)</u>                              | <u>(324,206)</u>               |
| <b>Gross profit</b>   |              | 179,469                                       | 145,244                        |
| Other income and gains  | 4            | 1,369   | 2,064                          |
| Selling and distribution expenses                               |              | (27,995)                                      | (18,814)                       |
| Administrative expenses   |              | (34,105)                                      | (27,401)                       |
| Finance costs   | 5            | (25,466)                                      | (28,669)                       |
| Other operating expenses  |              | <u>(745)</u>                                  | <u>(1,060)</u>                 |
| <b>Profit before tax</b>  | 6            | 92,527  | 71,364                         |
| Income tax expense  | 7            | <u>(24,512)</u>                               | <u>(20,744)</u>                |
| <b>Profit for the year</b>                                      |              | <u>68,015</u>                                 | <u>50,620</u>                  |
| <b>Other comprehensive income</b>                               |              |   |                                |
| Exchange differences on translation of foreign operations       |              | 6,739   | 2,673                          |
| Fair value of derivative  |              | <u>–</u>                                      | <u>(2,000)</u>                 |
| Other comprehensive income for the year, net of tax             |              | <u>6,739</u>                                  | <u>673</u>                     |
| <b>Total comprehensive income for the year</b>                  |              | <u><u>74,754</u></u>                          | <u><u>51,293</u></u>           |
| <b>Profit for the year attributable to:</b>                     |              |   |                                |
| Owners of the Company   |              | 68,015  | 26,852                         |
| Non-controlling interests                                       |              | <u>–</u>                                      | <u>23,768</u>                  |
|   |              | <u><u>68,015</u></u>                          | <u><u>50,620</u></u>           |
| <b>Total comprehensive income for the year attributable to:</b> |              |   |                                |
| Owners of the Company   |              | 74,754  | 27,525                         |
| Non-controlling interests                                       |              | <u>–</u>                                      | <u>23,768</u>                  |
|   |              | <u><u>74,754</u></u>                          | <u><u>51,293</u></u>           |

**APPENDIX III      UNAUDITED PRELIMINARY FINANCIAL INFORMATION OF  
THE COMPANY FOR THE YEAR ENDED 31 DECEMBER 2011**

**COMBINED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2011**

|  | <i>Notes</i> | <b>2011</b><br><i>HK\$'000</i><br>(Unaudited) | <b>2010</b><br><i>HK\$'000</i> |
|--|--------------|---|--------------------------------|
| <b>Non-current assets</b>                    |              |   |                                |
| Property, plant and equipment                |              | 33,356  | 25,557                         |
| Prepaid land lease payments                  |              | 823   | 798                            |
| Deferred tax assets                          |              | 96  | 80                             |
| Goodwill                                     |              | 34,396  | 32,874                         |
| Investment in jointly-controlled entities    |              | —   | —                              |
|  |              | 68,671  | 59,309                         |
| <b>Current assets</b>                        |              |   |                                |
| Inventories                                  |              | 21,685  | 20,946                         |
| Trade receivables                            | 8            | 566,578                                       | 232,483                        |
| Other receivables                            | 9            | 147,741                                       | 141,922                        |
| Pledged deposits                             |              | —   | 5,342                          |
| Cash and bank balances                       |              | 38,800  | 115,413                        |
|  |              | 774,804                                       | 516,106                        |
| <b>Current liabilities</b>                   |              |   |                                |
| Bank loans and overdrafts                    |              | 6,499   | 20,396                         |
| Trade payables                               | 10           | 378,216                                       | 160,772                        |
| Other payables and accruals                  | 11           | 103,742                                       | 141,033                        |
| Redeemable convertible loan                  |              | 54,479  | 37,544                         |
| Derivative liabilities                       |              | 43,434  | 43,014                         |
| Finance lease payable                        |              | 561   | 1,461                          |
| Tax payables                                 |              | 16,443  | 9,032                          |
|  |              | 603,374                                       | 413,252                        |
| <b>Net current assets</b>                    |              | 171,430                                       | 102,854                        |
| <b>Total assets less current liabilities</b> |              | 240,101                                       | 162,163                        |
| <b>Non-current liabilities</b>               |              |   |                                |
| Bank loans                                   |              | 1,614   | 3,295                          |
| Finance lease payable                        |              | 621   | 1,125                          |
| Deferred tax liabilities                     |              | 20,584  | 15,215                         |
|  |              | 22,819  | 19,635                         |
| <b>Net assets</b>                            |              | 217,282                                       | 142,528                        |
| <b>Capital and reserves</b>                  |              |   |                                |
| Issued capital                               |              | 125,472                                       | 125,472                        |
| Retained earnings                            |              | 160,555                                       | 98,603                         |
| Other reserves                               |              | (68,745)                                      | (81,547)                       |
| Equity attributable to owners of the Company |              | 217,282                                       | 142,528                        |
| Non-controlling interests                    |              | —   | —                              |
| <b>Total equity</b>                          |              | 217,282                                       | 142,528                        |

## NOTES

**1 Basis of preparation**

The financial statements have been prepared in accordance with IFRS (which include all International Financial Reporting Standards, International Accounting Standards (“IASs”) and Interpretations) issued by the IASB.

The financial statements have been prepared under the historical cost convention, except for derivative financial instruments which have been measured at fair value. The financial statements are presented in Hong Kong dollar (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

**2 Impact of issued but not yet effective IFRSs**

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective, in these financial statements.

|                   |  |
|-------------------|--|
| IFRS 7 Amendments | Amendments to IFRS 7 Financial Instruments: Disclosures – Transfers of Financial Assets <sup>1</sup> |
| IFRS 9            | Financial Instruments <sup>4</sup>   |
| IFRS 10           | Consolidated Financial Statements <sup>4</sup>   |
| IFRS 11           | Joint Arrangements <sup>4</sup>  |
| IFRS 12           | Disclosure of Interests in Other Entities <sup>4</sup>   |
| IFRS 13           | Fair Value Measurement <sup>4</sup>  |
| IAS 1 Amendments  | Amendments to IAS 1 Presentation of Financial Statements <sup>3</sup>                                |
| IAS 12 Amendments | Amendments to IAS 12 Income Taxes – Deferred Tax: Recovery of Underlying Assets <sup>2</sup>         |
| IAS 19 Amendments | Amendments to IAS 19 Employee Benefits <sup>4</sup>  |
| IAS 27 (Revised)  | Separate Financial Statements <sup>4</sup>   |
| IAS 28 (Revised)  | Investments in Associates and Joint Ventures <sup>4</sup>  |
| IAS 32 Amendments | Offsetting Financial Assets and Financial Liabilities <sup>5</sup>                                   |

<sup>1</sup> *Effective for annual periods beginning on or after 1 July 2011*

<sup>2</sup> *Effective for annual periods beginning on or after 1 January 2012*

<sup>3</sup> *Effective for annual periods beginning on or after 1 July 2012*

<sup>4</sup> *Effective for annual periods beginning on or after 1 January 2013*

<sup>5</sup> *Effective for annual periods beginning on or after 1 January 2014*

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, the Group considers that these new and revised IFRSs are unlikely to have a significant impact on the Group’s results and financial position.

IFRS 7 Amendments introduce more extensive quantitative and qualitative disclosure requirements regarding transfer transactions of financial assets (e.g., securitisations), including information for understanding the possible effects of any risks that may remain with the Group that transferred the assets.

IFRS 9 is the first part of phase 1 of a comprehensive project to entirely replace IAS 39 Financial Instruments: Recognition and Measurement. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity’s business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of IAS 39.

IFRS 10 establishes a single control model that applies to all entities including special purpose entities or structured entities. It includes a new definition of control which is used to determine which entities are consolidated. The changes introduced by IFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled, compared with the requirements in IAS 27 and SIC-Int 12 Consolidation – Special Purpose Entities.

IFRS 11 describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangements, i.e., joint operations and joint ventures, and removes the option to account for joint ventures using proportionate consolidation.

IFRS 12 includes the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities that are previously included in IAS 27 Consolidated and Separate Financial Statements, IAS 31 Interests in Joint Ventures and IAS 28 Investments in Associates. It also introduces a number of new disclosure requirements for these entities.

The Group has also adopted the consequential amendments made to IAS 27 and IAS 28 as a result of the issuance of the above new standards.

IFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The standard does not change when the Group is required to use fair value, but provides guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs.

IAS 1 Amendments change the grouping of items presented in Other Comprehensive Income. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, upon derecognition or settlement) are presented separately from items which will never be reclassified.

IAS 12 Amendments clarify the determination of deferred tax in investment property measured at fair value. The amendments introduce a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, the amendments introduce the requirement that deferred tax on non-depreciable assets, measured using the revaluation model in IAS 16, should always be measured on a sale basis of the assets.

IAS 19 Amendments introduces a number of changes in the accounting for pensions and other post-employment benefits that impact on the amount of net plan assets or liabilities for defined benefit pension plans and the results of entities with defined benefit pension plans. The standard also requires termination benefits outside of a wider restructuring to be recognised only when the offer becomes legally binding and cannot be withdrawn, and termination benefits under a wider restructuring to be recognised at the same time as the other restructuring costs.

IAS 32 Amendments clarify the meaning of “currently has a legally enforceable right to set-off” and also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous.

**3 Operating segment information**

For management purposes, the Group is organised into business units based on their products and services and has five reportable operating segments as follows:

- (a) Precision engineering solutions projects – relates to provision of industrial solutions specific to machine tools and industrial machinery and equipment encompassing conceptualization and design to production set-up, commissioning and maintenance of production lines.
- (b) Sales of Computer Numerical Control (“CNC”) machining centres – relates to sales of precision engineering manufacturing equipment operable under CNC automation.
- (c) Sales of cement production equipment – relates to sales of equipment (rotor weighfeeders and clinker coolers) primarily for the construction materials industry.
- (d) Sales of components and parts – relates to sales of self-manufactured and trading of components and parts.
- (e) After-sales technical support services – relates to provision of repairs and maintenance services for the above segments.

Management monitors the results of the Group’s operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group’s profit before tax except that interest income, finance costs, dividend income, fair value gains/(losses) from the Group’s financial instruments as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, pledged deposits, cash and cash equivalents, equity investments at fair value through profit or loss, derivative financial instruments and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude derivative financial instruments, interest-bearing bank and other borrowings, the amount due to related company, redeemable convertible loan, tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

**APPENDIX III**
**UNAUDITED PRELIMINARY FINANCIAL INFORMATION OF  
THE COMPANY FOR THE YEAR ENDED 31 DECEMBER 2011**

*Year ended 31 December 2010*

|   | Precision<br>engineering<br>solution<br>projects<br><i>HK\$'000</i> | Sales of<br>CNC<br>machining<br>centres<br><i>HK\$'000</i> | Sales of<br>cement<br>production<br>equipment<br><i>HK\$'000</i> | Sales of<br>components<br>and<br>parts<br><i>HK\$'000</i> | After-sales<br>technical<br>support<br>services<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|---|---|--|--|---|--|--------------------------|
| <b>Segment revenue:</b>                     |   |  |  |   |  |                          |
| Sales to external customers                 | 196,493   | 48,134   | 178,316  | 23,430  | 23,077   | 469,450                  |
| Intersegment sales                          | 601   | 1,786  | –  | 1,984   | –  | 4,371                    |
|   | 197,094   | 49,920   | 178,316  | 25,414  | 23,077   | 473,821                  |
| <i>Reconciliation:</i>                      |   |  |  |   |  |                          |
| Elimination of intersegment sales           |   |  |  |   |  | (4,371)                  |
| Revenue                                     |   |  |  |   |  | <u>469,450</u>           |
| <b>Segment results</b>                      | 40,450  | 7,392  | 72,436   | 2,465   | 22,232   | 144,975                  |
| <i>Reconciliation:</i>                      |   |  |  |   |  |                          |
| Interest income                             |   |  |  |   |  | 443                      |
| Unallocated other income and gains          |   |  |  |   |  | 1,621                    |
| Corporate and other unallocated expenses    |   |  |  |   |  | (47,006)                 |
| Finance costs                               |   |  |  |   |  | (28,669)                 |
| Profit before tax                           |   |  |  |   |  | <u>71,364</u>            |
|   |   |  |  |   |  |                          |
|   | Precision<br>engineering<br>solution<br>projects<br><i>HK\$'000</i> | Sales of<br>CNC<br>machining<br>centres<br><i>HK\$'000</i> | Sales of<br>cement<br>production<br>equipment<br><i>HK\$'000</i> | Sales of<br>components<br>and<br>parts<br><i>HK\$'000</i> | After-sales<br>technical<br>support<br>services<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
| <b>Segment assets</b>                       | 144,642   | 24,629   | 53,872   | 41,895  | 4,124  | 269,162                  |
| <i>Reconciliation:</i>                      |   |  |  |   |  |                          |
| Corporate and other unallocated assets      |   |  |  |   |  | 306,253                  |
| Total assets                                |   |  |  |   |  | <u>575,415</u>           |
|   |   |  |  |   |  |                          |
| <b>Segment liabilities</b>                  | 107,028   | 17,678   | 15,709   | 16,282  | 4,075  | 160,772                  |
| <i>Reconciliation:</i>                      |   |  |  |   |  |                          |
| Corporate and other unallocated liabilities |   |  |  |   |  | 272,115                  |
| Total liabilities                           |   |  |  |   |  | <u>432,887</u>           |
|   |   |  |  |   |  |                          |
| <b>Other segment information:</b>           |   |  |  |   |  |                          |
| Other non-cash expenses*                    | (292)   | 45   | –  | (22)  | –  | (269)                    |
| Depreciation                                | –   | (409)  | (236)  | (400)   | (51)   | (1,096)                  |
| Capital expenditure**                       | –   | (212)  | (1,042)  | (3,994)   | –  | (5,248)                  |

**APPENDIX III**

**UNAUDITED PRELIMINARY FINANCIAL INFORMATION OF  
THE COMPANY FOR THE YEAR ENDED 31 DECEMBER 2011**

*Year ended 31 December 2011*

|  | Precision<br>engineering<br>solution<br>projects<br><i>HK\$'000</i><br>(Unaudited) | Sales of<br>CNC<br>machining<br>centres<br><i>HK\$'000</i><br>(Unaudited) | Sales of<br>cement<br>production<br>equipment<br><i>HK\$'000</i><br>(Unaudited) | Sales of<br>components<br>and<br>parts<br><i>HK\$'000</i><br>(Unaudited) | After-sales<br>technical<br>support<br>services<br><i>HK\$'000</i><br>(Unaudited) | Total<br><i>HK\$'000</i><br>(Unaudited) |
|--|--|---|---|--|---|---|
| <b>Segment revenue:</b>                  |  |   |   |  |   |   |
| Sales to external customers              | 351,836  | 71,467  | 158,969   | 150,781  | 20,513  | 753,566                                 |
| Intersegment sales                       | 478  | 796   | –   | 1,381  | –   | 2,655                                   |
|  | 352,314  | 72,263  | 158,969   | 152,162  | 20,513  | 756,221                                 |
| <i>Reconciliation:</i>                   |  |   |   |  |   |   |
| Elimination of intersegment sales        |  |   |   |  |   | (2,655)                                 |
| Revenue                                  |  |   |   |  |   | <u>753,566</u>                          |
| <b>Segment results</b>                   | 58,684   | 14,643  | 75,705  | 14,983   | 15,535  | 179,550                                 |
| <i>Reconciliation:</i>                   |  |   |   |  |   |   |
| Interest income                          |  |   |   |  |   | 557                                     |
| Unallocated other income and gains       |  |   |   |  |   | 812                                     |
| Corporate and other unallocated expenses |  |   |   |  |   | (62,926)                                |
| Finance costs                            |  |   |   |  |   | <u>(25,466)</u>                         |
| Profit before tax                        |  |   |   |  |   | <u>92,527</u>                           |

*Year ended 31 December 2011*

|   | Precision<br>engineering<br>solution<br>projects<br><i>HK\$'000</i><br>(Unaudited) | Sales of<br>CNC<br>machining<br>centres<br><i>HK\$'000</i><br>(Unaudited) | Sales of<br>cement<br>production<br>equipment<br><i>HK\$'000</i><br>(Unaudited) | Sales of<br>components<br>and<br>parts<br><i>HK\$'000</i><br>(Unaudited) | After-sales<br>technical<br>support<br>services<br><i>HK\$'000</i><br>(Unaudited) | Total<br><i>HK\$'000</i><br>(Unaudited) |
|---|--|---|---|--|---|---|
| <b>Segment assets</b>                       | 378,414  | 29,857  | 57,997  | 128,899  | 6,473   | 601,640                                 |
| <i>Reconciliation:</i>                      |  |   |   |  |   |   |
| Corporate and other unallocated assets      |  |   |   |  |   | <u>241,835</u>                          |
| Total assets                                |  |   |   |  |   | <u><u>843,475</u></u>                   |
| <b>Segment liabilities</b>                  | 246,346  | 11,277  | 25,388  | 86,927   | 4,419   | 374,357                                 |
| <i>Reconciliation:</i>                      |  |   |   |  |   |   |
| Corporate and other unallocated liabilities |  |   |   |  |   | <u>251,836</u>                          |
| Total liabilities                           |  |   |   |  |   | <u><u>626,193</u></u>                   |
| <b>Other segment information:</b>           |  |   |   |  |   |   |
| Other non-cash expenses*                    | (61)   | 22  | 120   | -  | -   | 81                                      |
| Depreciation                                | -  | (431)   | (574)   | (991)  | (32)  | (2,028)                                 |
| Capital expenditure**                       | -  | (155)   | (877)   | (7,837)  | -   | (8,869)                                 |

\* Other non-cash expenses constitute allowances for doubtful debts that are directly attributable to the respective business segments.

\*\* Capital expenditure relates to additions of property, plant and equipment.



---

**APPENDIX III                      UNAUDITED PRELIMINARY FINANCIAL INFORMATION OF  
THE COMPANY FOR THE YEAR ENDED 31 DECEMBER 2011**

---

**4            Revenue, other income and gains**

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts and the value of services rendered during the year:

An analysis of revenue, other income and gains is as follows:

|                               | <b>2011</b><br><i>HK\$'000</i><br>(Unaudited) | <b>2010</b><br><i>HK\$'000</i> |
|-------------------------------|---|--------------------------------|
| <b>Revenue</b>                |   |                                |
| Sale of goods                 | 733,054                                       | 446,373                        |
| Rendering of services         | 20,512  | 21,596                         |
| Commission income             | —   | 1,481                          |
|                               | <u>753,566</u>                                | <u>469,450</u>                 |
| <b>Other income and gains</b> |   |                                |
| Bank interest income          | 557   | 443                            |
| Rental income                 | 114   | 591                            |
| Government subsidy            | 523   | 596                            |
| Others                        | 175   | 434                            |
|                               | <u>1,369</u>                                  | <u>2,064</u>                   |

**5            Finance costs**

|   | <b>2011</b><br><i>HK\$'000</i><br>(Unaudited) | <b>2010</b><br><i>HK\$'000</i> |
|---|---|--------------------------------|
| Interest on finance leases                                | 156   | 255                            |
| Bank overdraft interest and charges                       | 714   | 197                            |
| Bank and other finance charges                            | 4,035   | 2,168                          |
| Interest on bank loans wholly repayable within five years | 425   | 1,962                          |
| Amortised interest on redeemable convertible loan         | 19,824  | 18,425                         |
| Fair value change of embedded derivative liabilities      | 312   | 19,185                         |
| Gain on derecognition of redeemable convertible loan      | —   | (13,523)                       |
|   | <u>25,466</u>                                 | <u>28,669</u>                  |

**6 Profit before tax**

The Group's profit before tax is arrived at after charging/(crediting):

|  | <b>2011</b><br><i>HK\$'000</i><br>(Unaudited) | <b>2010</b><br><i>HK\$'000</i> |
|--|---|--------------------------------|
| Cost of inventories sold                                     | 565,368                                       | 317,527                        |
| Depreciation   | 4,195   | 3,904                          |
| Amortisation of prepaid lease payments                       | 12  | 12                             |
| Auditors' remuneration                                       | 3,877   | 1,044                          |
| Inventories written off                                      | –   | 66                             |
| Allowance for inventories                                    | 208   | 234                            |
| Employee benefit expenses (including directors remuneration) | 27,455  | 22,054                         |
| Contributions to retirement benefits schemes                 | 3,522   | 2,505                          |
| (Write back)/Allowance for impairment on doubtful debts      | (81)  | 269                            |
| Loss on disposal of property, plant and equipment, net       | 2   | 3                              |
| Net foreign exchange loss                                    | 459   | 1,058                          |
|  | <u>459</u>                                    | <u>1,058</u>                   |

**7 Income tax expense**

|  | <b>2011</b><br><i>HK\$'000</i><br>(Unaudited) | <b>2010</b><br><i>HK\$'000</i> |
|--|---|--------------------------------|
| Current tax:                           |   |                                |
| – Current year                         | 19,859  | 15,963                         |
| – Under/(over) provision in prior year | 24  | (1,702)                        |
| Deferred tax:                          |   |                                |
| – Current year                         | 4,629   | 6,483                          |
|  | <u>4,629</u>                                  | <u>6,483</u>                   |
|  | <u>24,512</u>                                 | <u>20,744</u>                  |

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the year.

Taxes on profits assessable in Singapore and Mainland China have been calculated at the prevailing tax rates, based on existing legislation, interpretations and practices in respect thereof.

***Singapore income tax***

The corporate income tax rate applicable to Singapore companies of the Group was 17% for the year ended 31 December 2010 and 2011.

*PRC income tax*

During the 5th session of the 10th National People's Congress, which was concluded on 16 March 2007, the PRC Corporate Income Tax Law was approved and became effective on 1 January 2008. The Corporate Income Tax Law introduced a wide range of changes which included, but are not limited to, the unification of the income tax rates for domestic-invested and certain foreign-invested enterprises at 25%.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. The Group is therefore liable for withholding taxes on dividends distributed by its subsidiary established in Mainland China in respect of earnings generated from 1 January 2008.

The major tax concessions applicable to the subsidiaries and jointly-controlled entity established in the PRC are detailed as follows:

| <b>Name of subsidiaries/<br/>jointly-controlled entity</b> | <b>Details of tax concessions</b>   |
|--|---|
| CW International (Shanghai) Co., Ltd.                      | CW International (Shanghai) Co., Ltd. is a foreign invested enterprise ("FIE") which engages in manufacturing and is exempted from corporate income tax for two years commencing from its first year with assessable profits after deducting tax losses brought forward, and is entitled to a 50% tax reduction for the subsequent three years (the "FIE Tax Holiday"). The first year of its FIE Tax Holiday is financial year ended 31 December 2007. Accordingly, it was exempted from corporate income tax for the years ended 31 December 2007 and 2008 and is subject to corporate income tax at a reduced rate of 12.5% for the years ended 31 December 2009, 2010 and 2011. |
| Tianjin FeiSiTe Machinery Co., Ltd.                        | Tianjin FeiSiTe Machinery Co., Ltd. is a FIE which engages in manufacturing and is entitled to the FIE Tax Holiday. The first year of its FIE Tax Holiday is 31 December 2005. Accordingly, it was exempted from corporate income tax for the years ended 31 December 2005 and 2006 and was subject to corporate income tax at a reduced rate of 12%, 12.5% and 12.5% for the years ended 31 December 2007, 2008 and 2009 respectively. For the years ended 31 December 2010 and 31 December 2011, the tax rate was 15% under High-Tech Enterprise Certification.   |
| KIWA-CW Machine Manufacturing (Shanghai) Co., Ltd.         | KIWA-CW Machine Manufacturing (Shanghai) Co., Ltd. is a FIE which engages in manufacturing and is entitled to the FIE Tax Holiday. The first year of its FIE Tax Holiday is financial year ended 31 December 2008. Accordingly, it was exempted from corporate income tax for the years ended 31 December 2008 and 2009 and was subject to corporate income tax at a reduced rate of 12.5% for the years ended/ending 31 December 2010, 2011 and 2012.  |

**APPENDIX III****UNAUDITED PRELIMINARY FINANCIAL INFORMATION OF  
THE COMPANY FOR THE YEAR ENDED 31 DECEMBER 2011**

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the year ended are as follows:

|  | Year ended 31 December |                |
|--|------------------------|----------------|
|  | 2011                   | 2010           |
|  | HK\$'000               | HK\$'000       |
|  | (Unaudited)            |                |
| Profit before tax  | <u>92,527</u>          | <u>71,364</u>  |
| Tax at the domestic rates applicable to profits<br>in the countries where the Group operates | 21,766                 | 17,927         |
| Expenses not deductible for tax  | 4,411                  | 5,586          |
| Income not subject to tax  | (335)                  | (235)          |
| Over provision in respect of previous year   | (3)                    | (1,702)        |
| Effect of tax incentives   | (6,751)                | (7,686)        |
| Effect of withholding tax on the undistributed profits                                       | 4,641                  | 6,434          |
| Others   | <u>783</u>             | <u>420</u>     |
| Income tax expense for the year  | <u>24,512</u>          | <u>20,744</u>  |
| <b>8 Trade receivables</b>   |                        |                |
|  | <b>2011</b>            | <b>2010</b>    |
|  | HK\$'000               | HK\$'000       |
|  | (Unaudited)            |                |
| Trade receivables  | 462,246                | 205,845        |
| Less: impairment   | <u>(334)</u>           | <u>(433)</u>   |
|  | 461,912                | 205,412        |
| Accrued revenue  | <u>104,666</u>         | <u>27,071</u>  |
|  | <u>566,578</u>         | <u>232,483</u> |

The Group's trading terms with its customers are mainly on credit except for certain new customers where payment in advance is required. The average trade credit period ranged from 30 days to 360 days. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly and actively monitored by senior management to minimise credit risk. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest bearing.

Accrued revenue represents amounts due from customers with respect to machinery and equipment delivered to customers or where customers have taken over the ownership of the equipment for which billings have not been performed.

---

**APPENDIX III                      UNAUDITED PRELIMINARY FINANCIAL INFORMATION OF  
THE COMPANY FOR THE YEAR ENDED 31 DECEMBER 2011**

---

The following is an aged analysis of the Group's trade receivables (net of allowance for doubtful debts and excluding accrued revenue) at the end of each of the year ended, presented based on invoice date:

|                 | <b>2011</b><br><i>HK\$'000</i><br>(Unaudited) | <b>2010</b><br><i>HK\$'000</i> |
|-----------------|---|--------------------------------|
| 0 to 90 days    | 181,359                                       | 156,558                        |
| 91 to 180 days  | 121,024                                       | 11,490                         |
| 181 to 360 days | 122,314                                       | 35,873                         |
| Over 360 days   | 37,215  | 1,491                          |
|                 | <u>461,912</u>                                | <u>205,412</u>                 |

The aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

|   | <b>2011</b><br><i>HK\$'000</i><br>(Unaudited) | <b>2010</b><br><i>HK\$'000</i> |
|---|---|--------------------------------|
| Past due but not impaired:  |   |                                |
| – Less than 3 months past due   | 62,023  | 29,934                         |
| – 3 to 6 months past due  | 53,712  | 2,867                          |
| – 6 to 12 months past due   | 21,990  | 7,498                          |
| – More than 12 months past due  | 1,009   | 1,182                          |
|   | <u>138,734</u>                                | <u>41,481</u>                  |
| Neither past due nor impaired   | <u>323,178</u>                                | <u>163,931</u>                 |
| Total trade receivables (net of allowance for doubtful debts and excluding accrued revenue) | <u>461,912</u>                                | <u>205,412</u>                 |

Included in trade receivables were the following amounts denominated in currencies other than the functional currencies of the relevant group companies:

|                      | <b>2011</b><br><i>HK\$'000</i><br>(Unaudited) | <b>2010</b><br><i>HK\$'000</i> |
|----------------------|---|--------------------------------|
| Singapore dollar     | –   | 32                             |
| Chinese Renminbi     | 54,199  | –                              |
| United States dollar | 151,150                                       | 85,502                         |
| EUR                  | 199,164                                       | 27,146                         |
| Japanese yen         | 9,969   | 5,404                          |
| Swiss franc          | 14,379  | 18,688                         |
|                      | <u>461,912</u>                                | <u>205,412</u>                 |

**APPENDIX III****UNAUDITED PRELIMINARY FINANCIAL INFORMATION OF  
THE COMPANY FOR THE YEAR ENDED 31 DECEMBER 2011****9 Other receivables**

|   | <b>2011</b><br><i>HK\$'000</i><br>(Unaudited) | <b>2010</b><br><i>HK\$'000</i> |
|---|---|--------------------------------|
| Other receivables                                     | 40,117  | 21,931                         |
| Deposits  | 928   | 1,145                          |
| Prepayment for expenses                               | 22,453  | 15,471                         |
| Prepayments to suppliers                              | 84,243  | 98,381                         |
| Staff advances  | –   | 73                             |
| Advances to non-controlling interests of subsidiaries | –   | 5,066                          |
|   | <u>147,741</u>                                | <u>142,067</u>                 |
| Less: Impairment                                      | –   | (145)                          |
|   | <u><u>147,741</u></u>                         | <u><u>141,922</u></u>          |

Included in other receivables were the following amounts denominated in currencies other than the functional currencies of the relevant group companies:

|                      | 2011<br><i>HK\$'000</i><br>(Unaudited) | 2010<br><i>HK\$'000</i> |
|----------------------|--|-------------------------|
| Singapore dollar     | –                                      | 987                     |
| United States dollar | 2,784                                  | 1,095                   |
| EUR                  | –                                      | 609                     |
| Japanese yen         | 4,537                                  | 2,043                   |
| Chinese Renminbi     | <u>758</u>                             | <u>–</u>                |

**10 Trade payables**

|                | <b>2011</b><br><i>HK\$'000</i><br>(Unaudited) | <b>2010</b><br><i>HK\$'000</i> |
|----------------|---|--------------------------------|
| Trade payables | 321,476                                       | 90,083                         |
| Bills payable  | <u>56,740</u>                                 | <u>70,689</u>                  |
|                | <u><u>378,216</u></u>                         | <u><u>160,772</u></u>          |

---

**APPENDIX III                      UNAUDITED PRELIMINARY FINANCIAL INFORMATION OF  
THE COMPANY FOR THE YEAR ENDED 31 DECEMBER 2011**

---

The following is an aged analysis of the Group's trade payables (excluding bills payable) at the end of each of the year ended, presented based on invoice date:

|                 | <b>2011</b><br><i>HK\$'000</i><br>(Unaudited) | <b>2010</b><br><i>HK\$'000</i> |
|-----------------|---|--------------------------------|
| 0 to 90 days    | 236,817                                       | 73,837                         |
| 91 to 180 days  | 58,156  | 5,206                          |
| 181 to 360 days | 16,031  | 8,088                          |
| Over 360 days   | <u>10,472</u>                                 | <u>2,952</u>                   |
|                 | <u><u>321,476</u></u>                         | <u><u>90,083</u></u>           |

Included in trade payables were the following amounts denominated in currencies other than the functional currency of the relevant group companies:

|                      | <b>2011</b><br><i>HK\$'000</i><br>(Unaudited) | <b>2010</b><br><i>HK\$'000</i> |
|----------------------|---|--------------------------------|
| Singapore dollar     | 4,081   | –                              |
| United States dollar | 74,294  | 38,248                         |
| EUR                  | 187,887                                       | 33,411                         |
| Japanese yen         | 21,069  | 34,557                         |
| Malaysia ringgit     | <u>50</u>                                     | <u>–</u>                       |

**11      Other payables and accruals**

|   | <b>2011</b><br><i>HK\$'000</i><br>(Unaudited) | <b>2010</b><br><i>HK\$'000</i> |
|---|---|--------------------------------|
| Other payables  | 30,379  | 44,183                         |
| Deposits received                                     | 59,086  | 50,417                         |
| Accrued expenses                                      | 12,468  | 8,337                          |
| Dividend payable                                      | 1,809   | 1,820                          |
| Consideration payable for acquisition of subsidiaries | <u>–</u>                                      | <u>36,276</u>                  |
|   | <u><u>103,742</u></u>                         | <u><u>141,033</u></u>          |

---

**APPENDIX III                      UNAUDITED PRELIMINARY FINANCIAL INFORMATION OF  
THE COMPANY FOR THE YEAR ENDED 31 DECEMBER 2011**

---

Included in other payables were the following amounts denominated in currencies other than the functional currencies of the relevant group companies:

|                      | <b>2011</b>     | <b>2010</b>     |
|----------------------|-----------------|-----------------|
|                      | <i>HK\$'000</i> | <i>HK\$'000</i> |
|                      | (Unaudited)     |                 |
| United States dollar | 6,833           | 14              |
| EUR                  | 22,415          | 96              |
| Japanese yen         | 896             | 3,469           |
| Singapore dollar     | 6,379           | 36,285          |
| Malaysia Ringgit     | 2,069           | –               |
| Hong Kong dollar     | –               | 147             |
| Chinese Renminbi     | <u>6,568</u>    | <u>286</u>      |

**12      Dividends**

No dividend to be paid or proposed by the Directors of the Company for the year ended 31 December 2011.

During the year ended 31 December 2010, a subsidiary of the Company, Fu Yang International Co., Ltd., declared a first interim dividend of US\$8,817,000 (equivalent to HK\$68,475,000), a second interim dividend of US\$6,316,000 (equivalent to HK\$49,058,000), and a third interim dividend of US\$4,718,000 (equivalent to HK\$36,582,000). Non-controlling interest's share of the first interim dividend, second interim dividend and third interim dividend amounted to HK\$33,553,000, HK\$24,038,000 and HK\$17,925,000 respectively.

**MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP**

**Business Review**

***Precision engineering solutions projects***

We offer our customers project-based tailor-made precision engineering solutions by producing customized assembly production lines. The range of these precision engineering solutions include the conducting of feasibility studies, concept and design, sourcing of assemblies, components and parts, to the manufacturing, installation and testing of our products and the provision of after-sales technical support.

During the year ended 31 December 2011, our activities under this segment saw an increase in precision engineering solutions in new markets such as India and Indonesia in the automotive and education sectors.

***Sale of cement production equipment***

Under the brand name “菲斯特”, our Group manufactures, assembles and supplies cement production equipment to customers in the construction materials industry in the PRC. We also distribute rotor weighfeeders of international brands and other cement production equipment such as clinker coolers and flood control gates.



---

**APPENDIX III                      UNAUDITED PRELIMINARY FINANCIAL INFORMATION OF  
THE COMPANY FOR THE YEAR ENDED 31 DECEMBER 2011**

---

During the year ended 31 December 2011, revenue contribution from sales of cement production equipment decreased due to an overall increase in sales in the other business segments of the Group, as well as the stabilisation of demand from customers in the construction materials industry following the heightened demand in 2009 and 2010.

***Sale of CNC machining centres***

We design and manufacture customized CNC vertical machining centres under the brand names of “KIWA-CW” and “KIWA” pursuant to an exclusive license in the PRC granted to us by a Japanese company, KIWA.

During the year ended 31 December 2011, our activities under this segment saw an increase in the sales of “KIWA-CW” and “KIWA” branded CNC machining centres, as we believe the KIWA brand received increased market awareness in the PRC. The number of CNC machining centres sold increased from 124 units in 2010 to 149 units in 2011.

***Sale of components and parts***

To enable our Group to be a one-stop solution provider, we supplement our core business by distributing and trading a comprehensive range of accessory products together with components and parts. These components and parts are either manufactured by our Group or sourced from our international network of suppliers.

During the year ended 31 December 2011, we have secured three orders to source and trade photovoltaic components and parts.

***Provision of comprehensive maintenance and after-sales technical support services***

Our Group offers our customers comprehensive maintenance and after-sales technical support services.

**Outlook for 2012**

Due to the huge potential of the PRC domestic market, overseas companies are continuing to invest in the establishment of production bases in the PRC.

The rapid evolution of aircraft designs has created constant challenges for companies that manufacture aerospace components. We believe that this will generate greater demand for higher end CNC machining centres and machine tools. Our Directors believe that the PRC is one of the major growing aviation markets in the world.

Restructuring of the aviation sector began in 2002, when ten of the largest domestic airlines merged into three super-carriers – China Southern Airlines, China Eastern Airlines, and Air China, the country’s *de facto* flag carrier.

---

**APPENDIX III                      UNAUDITED PRELIMINARY FINANCIAL INFORMATION OF  
THE COMPANY FOR THE YEAR ENDED 31 DECEMBER 2011**

---

Similarly, with the Singapore government's focus on developing the aviation manufacturing industry in Singapore since 2008, our Directors believe that there will be an increasing need of aviation manufacturers to procure and set up manufacturing facilities in Singapore. This may also result in the increase in demand for our products and services.

With respect to the oil and gas industries, there is an increasing demand for industrial players to increase their production capacity in Singapore. Our Company is well positioned to serve these customers.

On this basis, our Directors believe that this will result in continuing orders from our aviation customers in Singapore and the PRC and our oil, gas and marine customers in Singapore.

In line with the PRC government's plan to invest in its domestic infrastructure, our Directors believe that investment in infrastructure projects by the PRC government and the private sector will generate greater demand for cement production equipment in the PRC and hence there will be a continued demand for our products.

**Financial Review**

**Revenue**

Set out below is a breakdown of our revenue by business segments during the Track Record Period:

|  | <b>Year ended 31 December</b> |                     |                       |                     |
|--|-------------------------------|---------------------|-----------------------|---------------------|
|  | <b>2010</b>                   |                     | <b>2011</b>           |                     |
|  | <i>HK\$'000</i>               | %                   | <i>HK\$'000</i>       | %                   |
|  | <i>(unaudited)</i>            |                     |                       |                     |
| Precision engineering solutions projects | 196,493                       | 41.9                | 351,836               | 46.7                |
| Sales of cement production equipment     | 178,316                       | 38.0                | 158,969               | 21.1                |
| Sales of CNC machining centres           | 48,134                        | 10.2                | 71,467                | 9.5                 |
| Sales of components and parts            | 23,430                        | 5.0                 | 150,781               | 20.0                |
| After-sales technical support services   | 23,077                        | 4.9                 | 20,513                | 2.7                 |
| <b>Total</b>                             | <b><u>469,450</u></b>         | <b><u>100.0</u></b> | <b><u>753,566</u></b> | <b><u>100.0</u></b> |

Revenue from precision engineering solutions projects relates mainly to the provision of precision engineering solutions specific to machine tools and machinery and equipment encompassing conceptualisation and design to production line set-up, commissioning and maintenance of production lines. For the years ended 31 December 2010 and 2011, approximately 41.9% and 46.7% of our total revenue was derived from precision engineering solutions projects respectively. This is in line with the Group's direction to focus more on precision engineering solutions projects. The increase in

contribution of revenue from precision engineering solutions projects in 2010 and 2011 are mainly due to projects secured in new markets such as India and Indonesia.

Revenue from sales of cement production equipment relates mainly to the sale of equipment (rotor weighfeeders and clinker coolers) for the construction materials industry. For the years ended 31 December 2010 and 2011, approximately 38.0% and 21.1% of our total revenue was derived from sales of cement production equipment respectively. The decline in proportion of revenue contribution in 2010 and 2011 was due to an overall increase in sales in the other business segments of the Group, as well as the stabilisation of demand from customers in the construction materials industry following the heightened demands in 2009 and 2010.

Revenue from sales of CNC machining centres primarily relates to sales of precision engineering manufacturing equipment operable under CNC automation. For the years ended 31 December 2010 and 2011, approximately 10.2% and 9.5% of our total revenue was derived from sales of CNC machining centres respectively. Despite the decrease in proportion of revenue contribution due to the overall increase in sales in the other business segments of the Group's revenue, the revenue from sales of CNC machining centres has increased largely due to (i) The increase in the sales of our in-house CNC machining centres in the PRC in 2011 as a result of the continued demand from customers in the precision engineering sector in the PRC; and (ii) the increased number of our customers demanding for CNC machining centres.

Revenue from sales of components and parts relates mainly to sales of self-manufactured and trading of components and parts. For the years ended 31 December 2010 and 2011, approximately 5.0% and 20.0% of our total revenue was derived from sales of components and parts respectively. Such increase was mainly attributable to the trading sales of photovoltaic components and parts which amounted to approximately HK\$115.1 million. For the year ended 31 December 2011, we secured an order of photovoltaic modules in June 2011 amounting to approximately HK\$66.2 million and two orders in September 2011 amounting to approximately HK\$48.9 million for the constructions of photovoltaic plants by these customers. These sales were order-driven, non-recurring and trading in nature.

Revenue from after-sales technical support services is primarily the provision of technical repairs and maintenance services in relation to our Group's other business segments. For the years ended 31 December 2010 and 2011, approximately 4.9% and 2.7% of our total revenue was derived from after-sales technical support services respectively. The decline in proportion of revenue contribution in 2010 and 2011 was due to an overall increase in sales in the other business segments of the Group although revenue from this segment has remained comparable.

#### *Cost of sales*

The cost of sales of our Group accounted for approximately 69.1% and 76.2% of our revenue during the years ended 31 December 2010 and 2011 respectively. Our cost of sales during mainly comprise (i) cost of goods sold, (ii) direct labour costs, and (iii) direct depreciation expenses, which are costs incurred directly in relation to our revenue. Factors affecting our cost of sales include (a) prices and availability of raw materials such as cast iron; and (b) salaries of our engineers and skilled labour.

---

**APPENDIX III                      UNAUDITED PRELIMINARY FINANCIAL INFORMATION OF  
THE COMPANY FOR THE YEAR ENDED 31 DECEMBER 2011**

---

The following table set forth the major components of our cost of sales during the Track Record Period.

|                              | <b>Year ended 31 December</b> |                     |                       |                     |
|------------------------------|-------------------------------|---------------------|-----------------------|---------------------|
|                              | <b>2010</b>                   |                     | <b>2011</b>           |                     |
|                              | <i>HK\$'000</i>               | %                   | <i>HK\$'000</i>       | %                   |
|                              | <i>(unaudited)</i>            |                     |                       |                     |
| Cost of goods sold           | 317,527                       | 98.0                | 565,368               | 98.5                |
| Direct labour costs          | 4,966                         | 1.5                 | 6,701                 | 1.2                 |
| Direct depreciation expenses | 1,713                         | 0.5                 | 2,028                 | 0.3                 |
| <b>Total</b>                 | <b><u>324,206</u></b>         | <b><u>100.0</u></b> | <b><u>574,097</u></b> | <b><u>100.0</u></b> |

For the years ended 31 December 2010 and 2011, cost of goods sold accounted for approximately 98.0% and 98.5% of our Group's total cost of sales respectively. Our Group's cost of goods sold comprise mainly material costs, sub-contractor costs, inbound freight and handling costs, of which material costs accounted for approximately 97.5% and 98.3% of our costs of goods sold for the years ended 31 December 2010 and 2011 respectively. Material costs comprise mainly CNC machining centres, industrial equipment, components and parts, cast iron, casting, sheet metals, electrical box, ball screw, spindle, controller and tool changers from suppliers located worldwide including the PRC, Japan, Europe, Taiwan, Korea, United States of America and Singapore. The increase of cost of materials was in line with the increase in turnover.

Direct labour costs comprise salaries and related costs for engineers as well as production and assembly staff. During the years ended 31 December 2010 and 2011, direct labour costs accounted for approximately 1.5% and 1.2% of our Group's total cost of sales respectively. The slight increase was primarily due to wage increments and increased work hours to meet the higher business activities.

Direct depreciation expenses accounted for approximately 0.5% and 0.3% of our Group's total cost of sales respectively for the years ended 31 December 2010 and 2011. Direct depreciation expenses comprise depreciation charges on production related equipment. The slight increase in absolute amount was a result of additions of production equipment in during 2010 to increase our production capacities which is depreciated over a full year in 2011.

***Gross profit and gross profit margin***

Our gross profit was approximately HK\$179.5 million representing an increase of 23.6%. This was mainly contributed by the significant increase in revenue brought by our precision engineering solutions projects, sales of components and parts and sales of CNC machining centres which recorded corresponding increases in gross profit. The increase was partly offset by a decrease in gross profit from our after-sales technical support services.

The business of the Group comprises five segments and the higher overall gross profit margin was attributable to (i) the Group's after-sales technical support services segment; and (ii) the sales of cement production equipment segment.

Notwithstanding the significant increase in our gross profits, gross profit margin of the Group decreased from approximately 30.9% in the year ended 31 December 2010 to approximately 23.8% for the year ended 31 December 2011. The decrease in our profit margin was largely due to the significant increase in our revenue from sales of photovoltaic components and parts which commands lower gross profit margin as compared to our other business segments, as this is a trading sale which does not involve a significant amount of value-add. Sales of components and parts accounted for 17.3% of total revenue for the year ended 31 December 2011 as compared to 5.0% for the year ended 31 December 2010.

#### *Other income and gains*

The other income and gains of our Group amounted to approximately HK\$2.1 million and HK\$1.4 million for the year ended 31 December 2010 and 2011 respectively. The decrease was mainly due to a tax rebates of received in the year ended 31 December 2010 and also the reduction in rental income in the year ended 31 December 2011.

#### *Selling and distribution expenses*

Selling and distribution expenses refer to the expenses incurred for the promotion and sale of products which comprise mainly salaries and related costs for sales and marketing staff, travelling and transportation costs, outbound freight and handling costs, commissions and marketing expenses and maintenance costs of equipment. Selling and distribution expenses was approximately HK\$18.8 million and HK\$28.0 million for the year ended 31 December 2010 and 2011 respectively, accounting for approximately 4.0% and 3.7% of our Group's turnover during the years ended 31 December 2010 and 2011 respectively.

The increase in our selling and distribution expenses was mainly reflecting a combination of: increases in marketing staff expenses, transportation costs, freight outwards due mainly to increased sales activities; an increase in after-sales services and maintenance expense primarily as a result of increased after-sales follow-ups required; and an increase in entertainment and gifts arising from higher tender sales.

#### *Administrative expenses*

Administrative expenses comprise mainly salaries and related costs for finance and administration staff, utilities, rental expenses, depreciation, audit fees and listing expenses comprising the professional costs incurred in the listing application in Singapore and to the Stock Exchange.

The administrative expenses of the Group increased from approximately HK\$27.4 million for the year ended 31 December 2010 to HK\$34.1 million for the year ended 31 December 2011 mainly as a result of higher salaries and related expenses due mainly to wage increments and higher headcount as well as higher audit fees.

***Finance costs***

Our Group's finance costs comprise mainly of interest on bank loan, bank and other finance charges and interest on finance leases. Our finance costs decreased by approximately HK\$3.2 million or 11.1% from about HK\$28.7 million for the year ended 31 December 2010 to about HK\$25.5 million for the year ended 31 December 2011. Such decrease was mainly due to the decrease in amortised interest on redeemable convertible loan partly offset by the decrease in gain on derecognition of redeemable convertible loan.

***Income tax expenses***

Our income tax expense amounted to approximately HK\$20.7 million and HK\$24.5 million for the years ended 31 December 2010 and 2011 respectively. The increase was attributable mainly to higher net profit before tax recorded for the year ended 31 December 2011. Our effective tax rate was 29.1% and 26.4% for the years ended 31 December 2010 and 2011 respectively. The decrease is largely due to a higher proportion of our profit being derived from our Singapore operations, which is subject to a lower effective tax rate, compared to our PRC operations in the year ended 31 December 2011.

***Net profit margin***

As a combined result of the factors described above, our net profit for the year ended 31 December 2011 increased from about HK\$50.6 million in the year ended 31 December 2010 to about HK\$68.0 million. Net profit margin for the year ended 31 December 2011 decreased slightly from approximately 10.8% in the year ended 31 December 2010 to approximately 9.1%.

***Financial resources and liquidity***

Our current assets mainly comprised cash and bank balances, pledged deposits, trade receivables, other receivables, and inventories. Our total current assets amounted to approximately HK\$516.1 million and HK\$774.8 million as at 31 December 2010 and 2011 respectively, and represented approximately 89.7% and 92.3% of our total assets as at 31 December 2010 and 2011 respectively.

Our cash and bank balances amounted to approximately HK\$115.4 million and HK\$38.8 million as at 31 December 2010 and 2011 respectively. The Group's primary sources of funds include cash generated from operating activities and loans and trade facilities provided by the Group's banks in Singapore and PRC. Our Group had cash inflow from operating activities of approximately HK\$119.2 million which was negated by working capital changes of approximately HK\$125.3 million largely due to increase in trade receivables as a result of the Group's continuous expansion in business activities. Our bank facilities in 2011 remained comparable to 2010. In addition, there was a net decrease in bank loans and overdrafts of approximately HK\$15.6 million in 2011.

Our total trade receivables balance amounted to approximately HK\$232.5 million and HK\$566.6 million as at 31 December 2010 and 2011 respectively. It comprises of trade receivables of approximately HK\$461.9 million and accrued revenue of approximately HK\$104.7 million as at 31 December 2011.

Our trade receivables increased from approximately HK\$205.4 million as at 31 December 2010 to HK\$461.9 million as at 31 December 2011 mainly in line with the movements in revenue during the year which increased from HK\$469.5 million in 2010 to HK\$753.6 million in 2011. The increase in trade receivables as at 31 December 2011 was mainly due to our increase in revenue from the precision engineering solutions segment. As credit period of up to 360 days was granted, most of these unsettled receivables were not due or just became due as at 31 December 2011. In addition, our sales of photovoltaic modules to our customers also contributed to the increase in our trade receivables balance. As the projects have yet to be completed, such trade receivables were not past due as at 31 December 2011.

Our major customers whose trade receivables balances as at 31 December 2011 which remained outstanding as at 29 February 2012 include manufacturers in the precision engineering solutions industry in the PRC, CNC machine tools turnkey project manager and distributor in the Indonesia, PRC and Taiwan, cement manufacturer, and company principally engaged in the research and technological development of coolers as well as the provision of technical support services. We are closely following up and using our best endeavours to collect the outstanding balances from them. In addition, we are not aware of any change in the financial standing for these customers. In view of this, we do not foresee any problem with the full recovery of the outstanding balances.

Based on our experience, we generally have not experienced collection problems with our customers. We assess impairment of trade receivables on a case-by-case basis and our Directors believe that no impairment allowance is necessary in respect of these balances as there has not been significant change in credit quality and the balances are still considered fully recoverable as explained above. Our Directors are also of the view that our allowances for doubtful debt and bad debt written-off are adequate. To the best of their knowledge, there is no information or development which may require us to make additional allowances for doubtful debt.

Also, during the year ended 31 December 2011, we secured a number of sales orders for photovoltaic modules. In assessing the creditability of these customers, our Group had performed the following measures before entering into the relevant sales contracts:

1. Confirming with the customers that the construction of the photovoltaic plants by these customers had been financed by financing institutions;
2. Requiring deposits from the customers before the delivery of the photovoltaic modules to them; and
3. Agreeing with the customers under the relevant agreements that in case of default of payment, our Group would have the right to request the return of all components and parts sold.

To further protect the financial risk of our Group, the Group had agreed with our suppliers of those photovoltaic modules that, amongst others: (i) the credit periods granted to our Group were made with reference to the relevant credit periods granted to our Group's customers; and (ii) the deposit paid by our Group to our suppliers will be refunded to our Group if our Group has not received the same amount of deposit from our Group's customers. For some of the contracts with our suppliers, it was also stipulated that our Group would pay the balance of the purchase price to the suppliers after our Group has received the relevant payment from the financing banks.

The accrued revenue of our Group as at 31 December 2011 amounted to approximately HK\$104.7 million. All services under accrued revenue have been rendered as certain milestones were achieved such as acceptance by customers. However, due to the agreed payment terms, the relevant payment requests were billed to our customers subsequent to 31 December 2011.

Our current liabilities comprised trade payables, other payables, redeemable convertible loan, bank loans and overdrafts, derivative liabilities, tax payables and finance leases payable. Our total current liabilities amounted to approximately HK\$413.2 million and HK\$603.4 million as at 31 December 2010 and 2011 respectively, and represented approximately 95.5% and 96.4% of our total liabilities as at 31 December 2010 and 2011 respectively.

The Group's current ratio as at 31 December 2011 was 1.3 times which is comparable to 1.2 times as at 31 December 2010.

As at 31 December 2011, the Group had net current assets of approximately HK\$171.4 million compared to HK\$ 102.9 million as at 31 December 2010. The increase was due mainly to an increase in trade receivables partly offset by a corresponding increase in trade payables as a result of the increase in business activities.



---

**APPENDIX III            UNAUDITED PRELIMINARY FINANCIAL INFORMATION OF  
THE COMPANY FOR THE YEAR ENDED 31 DECEMBER 2011**

---

**PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES**

Not applicable as the Company was not yet listed on the Stock Exchange during the year 2011 which is under review.

**CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company was not yet listed on the Stock Exchange during the period under review and therefore the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Listing Rules was not applicable to the Company for the year ended 31 December 2011. After Listing, save for Mr. William Wong being both the chairman and the CEO of our Group, we shall comply with the corporate governance requirements under the Listing Rules and the CG Code, including the revised rules and provisions which have/shall become effective on 1 January 2012/1 April 2012.

**AUDIT COMMITTEE**

An audit committee has been established with written terms of reference in accordance with the Listing Rules and CG Code. The unaudited preliminary financial information of the Company for the year ended 31 December 2011 set out in this Appendix has been reviewed by the audit committee.

The following is the text of a letter, summary of valuations and valuation certificates prepared for the purpose of incorporation in this prospectus received from DTZ Debenham Tie Leung Limited, an independent property valuer, in connection with its opinion of value of the properties held by the Group in Singapore and the PRC as at 31 December 2011.



16th Floor  
Jardine House  
1 Connaught Place  
Central  
Hong Kong

20 March 2012

The Directors  
CW Group Holdings Limited  
50 Kallang Avenue  
#05-01/02  
Singapore  
339505

Dear Sirs,

#### **INSTRUCTION, PURPOSE AND DATE OF VALUATION**

In accordance with your instruction for us to value the properties held by CW Group Holdings Limited (the “Company”) and its subsidiaries (together referred to as the “Group”) in Singapore and the People’s Republic of China (the “PRC”), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the properties as at 31 December 2011 (the “date of valuation”).

#### **VALUATION STANDARDS AND DEFINITION OF MARKET VALUE**

In valuing the properties, we have complied with the requirements set out in The HKIS Valuation Standards on Properties (First Edition 2005) published by the Hong Kong Institute of Surveyors.

Our valuation of each of the properties represents its market value which in accordance with The HKIS Valuation Standards on Properties of The Hong Kong Institute of Surveyors is defined as “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.

**BASIS AND ASSUMPTIONS**

Our valuations exclude an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

In valuing the properties in the PRC, we have assumed that transferable land use rights in respect of the properties at nominal land use fees have been granted and that any premium payable has already been fully settled. We have, unless otherwise stated, assumed that the grantees or the users of the properties have free and uninterrupted rights to use, occupy, underlet or assign the properties for the whole of the unexpired terms as granted. We have relied on the advice given by the Group and the opinion of the Group's legal adviser as to PRC laws, Hills & Co., regarding the title to the properties. Our valuations are on a 100% interest basis.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties nor for any expenses or taxation which may be incurred in effecting sales. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoing of any onerous nature which could affect their values.

**METHODS OF VALUATION**

The property in Group I is valued by direct comparison approach assuming sale with the benefit of vacant possession by making reference to comparable sales evidence available in the relevant market.

The properties in Group II and Group III, which are leased to the Group in Singapore and the PRC respectively, have no commercial value due to prohibition against assignment or lack of substantial profit rent.

In valuing the properties, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and The HKIS Valuation Standards on Properties (First Edition 2005) published by The Hong Kong Institute of Surveyors.

**TITLE INVESTIGATION**

In respect of the properties in the PRC, we have been provided with extracts of documents in relation to the titles to the properties. However, we have not inspected the original documents to ascertain any amendments, which may not appear on the copies handed to us.

In respect of the properties situated in the PRC, the status of titles and grant of major certificates, approvals and licences, in accordance with the information provided to us are set out in the notes in the valuation certificates.

**SOURCE OF INFORMATION**

In the course of our valuation, we have relied to a considerable extent on the information given by the Group and the opinion of the legal adviser to the Group as to PRC laws, in respect of the properties in the PRC and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, identification of land and buildings, completion date of buildings, particulars of occupancy, site and floor areas, site and floor plans and all other relevant matters.

Dimensions, measurements and areas included in the valuation certificates are based on the information provided to us and are therefore only approximations. We have had no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuations. We were also advised by the Group that no material facts have been omitted from the information provided.

**SITE INSPECTION**

We have inspected the exterior and, wherever possible, the interior of the properties. However, no structural survey has been made. But, in the course of our inspection, we did not note any serious defects. We are not, however, able to report that the properties are free from rot, infestation or any other structural defects nor were any tests carried out to any of the services. Unless otherwise stated, we have not been able to carry out detailed on-site measurements to verify the site and gross floor areas of the properties and we have assumed that the areas shown on the documents handed to us are correct.

**CURRENCY & EXCHANGE RATES**

Unless otherwise stated, all money amounts stated in our valuations are in Renminbi (“RMB”) which is the official currency of the PRC. The exchange rates adopted in our valuation is RMB0.81070=HK\$1 which is the approximate exchange rate prevailing as at the date of valuation.

We enclose herewith a summary of valuations and our valuation certificates.

Yours faithfully,  
for and on behalf of

**DTZ Debenham Tie Leung Limited**

**K.B. Wong**

*Registered Professional Surveyor (GP)*

*China Real Estate Appraiser*

*M.H.K.I.S., M.R.I.C.S*

**Senior Director**

*Note:* Mr. K.B. Wong is a Registered Professional Surveyor who has over 26 years’ of experience in the valuation of properties in Hong Kong, the PRC and South East Asia Region including Singapore.

## SUMMARY OF VALUATIONS

Capital value in  
existing state as at  
31 December 2011

**Property****Group I – Property held and occupied by the Group in the PRC**

|    |  |              |
|----|--|--------------|
| 1. | Unit 3-3-1202<br>TEDA Triones City,<br>Southeast of the junction of<br>Kunwei Road and<br>Jingzhonghe Avenue,<br>Hebei District,<br>Tianjin,<br>the People's Republic of China | RMB2,530,000 |
|----|--|--------------|

**Sub-total:**

---

**RMB2,530,000****Group II – Property leased by the Group in Singapore**

|    |  |                     |
|----|--|---------------------|
| 2. | 50 Kallang Avenue<br>#05-01/02<br>Singapore 339505 | No commercial value |
|----|--|---------------------|

**Sub-total:**

---

**No commercial value**

## SUMMARY OF VALUATIONS

Capital value in  
existing state as at  
31 December 2011

## Property

## Group III – Properties leased by the Group in the PRC

|    |  |                     |
|----|--|---------------------|
| 3. | Unit 102,<br>Block 17,<br>No.260 Liancao Road,<br>Minhang District,<br>Shanghai,<br>the People's Republic of China                                   | No commercial value |
| 4. | Unit 101,<br>Block 17,<br>No.260 Liancao Road,<br>Minhang District,<br>Shanghai,<br>the People's Republic of China                                   | No commercial value |
| 5. | No.172, Lane 38,<br>Chengzhong Road,<br>Zhujiing Town,<br>Shanghai,<br>the People's Republic of China  | No commercial value |
| 6. | An industrial unit situated at Qingguang Industrial Park,<br>close to Jinba Highway,<br>Beichen District, Tianjin,<br>the People's Republic of China | No commercial value |
| 7. | Portion of building at<br>No.4191 Longwu Road,<br>Minhang District,<br>Shanghai,<br>the People's Republic of China                                   | No commercial value |

**Grand-total:** RMB2,530,000

**Equivalent to  
approximately  
HK\$3,121,000**

## VALUATION CERTIFICATE

## Group I – Property held and occupied by the Group in the PRC

|    | Property   | Description and tenure  | Particulars of occupancy  | Capital value in existing state as at 31 December 2011 |
|----|--|---|---|--|
| 1. | Unit 3-3- 1202<br>TEDA Triones City,<br>Southeast of the junction<br>of Kunwei Road and<br>Jingzhonghe Avenue,<br>Hebei District,<br>Tianjin,<br>the People's Republic<br>of China | The property comprises a<br>residential unit on Level 12<br>of a 32-storey building<br>completed in 2009.<br><br>The property has a gross floor<br>area of 186.40 sq.m.<br><br>The land use rights of the property<br>have been granted for a term from<br>12 June 2006 to 11 June 2076<br>for residential use. | As at the date of<br>valuation,<br>the property was<br>owner-occupied for<br>residential use. | RMB2,530,000   |

*Notes:*

- (1) According to Realty Title Certificate No. 105021116522, the land use rights and building ownership of the property comprising a gross floor area of 186.40 sq.m. have been vested in Tianjin Pfister Machinery Co., Ltd. (天津菲斯特機械設備有限公司) for residential use for a term due to expire on 11 June 2076.
- (2) According to Tianjin Commercial House Sale Contract No. JF-2000-009 entered into between Tianjin Economic-Technological Development Area Real-estate Development Co., Ltd. (天津經濟技術開發區房地產開發公司) (Party A) and Tianjin Pfister Machinery Co., Ltd. (天津菲斯特機械設備有限公司) (Party B) on 22 September 2008, the property had been sold to Party B at a consideration of RMB1,577,524 comprising a gross floor area of 186.31 sq.m. for a land use term of 70 years from 12 June 2006 to 11 June 2076 for residential use.
- (3) According to Business Licence No.120000400054429 dated 24 May 2011, Tianjin Pfister Machinery Co., Ltd. (天津菲斯特機械設備有限公司) was established as a limited liability company with a registered capital of US\$3,650,500 for a valid operation period from 14 August 2003 to 13 August 2028.
- (4) According to PRC legal opinion:–
  - (1) The Realty Title Certificate has been legally obtained;
  - (2) The land use rights and building ownership of the property have been vested in Tianjin Pfister Machinery Co., Ltd. (天津菲斯特機械設備有限公司); and
  - (3) Tianjin Pfister Machinery Co., Ltd. (天津菲斯特機械設備有限公司) is entitled to occupy, use, lease, transfer, mortgage and dispose of the property without restrictions.
- (5) The status of the title and grant of major approvals and licences in accordance with the information provided by the Group are summarized as follows:–

|                          |     |
|--------------------------|-----|
| Realty Title Certificate | Yes |
| Business Licence         | Yes |

## VALUATION CERTIFICATE

## Group II – Property leased by the Group in Singapore

|    | <b>Property</b>                                    | <b>Description and tenure</b>  | <b>Particulars of occupancy</b>  | <b>Capital value in existing state as at 31 December 2011</b> |
|----|--|--|--|---|
| 2. | 50 Kallang Avenue<br>#05-01/02<br>Singapore 339505 | <p>The property is a flatted factory unit located on the 5th level of a 9-storey high-tech industrial building.</p> <p>The tenure of the development is 30 years plus 30 years commencing on 16 November 1995.</p> <p>The property has a floor area of 836.12 sq.m. and was completed in 1997.</p> | <p>The property is leased for a term of 3 years commencing on 18 January 2010 at a monthly rent of S\$21,596.98.</p> | No commercial value   |



## VALUATION CERTIFICATE

## Group III – Properties leased by the Group in the PRC

|    | Property   | Description and tenure   | Particulars of occupancy   | Capital value in existing state as at 31 December 2011 |
|----|--|--|--|--|
| 3. | Unit 102, Block 17,<br>No.260 Liancao Road,<br>Minhang District,<br>Shanghai,<br>the People's Republic<br>of China | <p>The property comprises portion of a 2-storey workshop.</p> <p>The property has a gross floor area of 2,595.01 sq.m. completed in 2005.</p> <p>According to the PRC legal opinion, since the property is situated on the allocated land, approval is required for the lease agreement. Once approved, the tenancy would be effective and legally binding on both parties. As the lessee of the property, the Group does not need to bear the relevant responsibility, but the tenancy may be invalid and unenforceable for the violation of laws and administrative regulations, which may cause the Group to move out of the property. The tenancy agreement has been registered.</p> | <p>The property is leased for a term commencing on 19 January 2005 and expiring on 31 December 2014 at a daily rent of RMB0.6 per sq.m. for the 1st year and subject to an annual increase of RMB0.015 per sq.m. per day since 2006.</p> | No commercial value                                    |

## VALUATION CERTIFICATE

| Property   | Description and tenure   | Particulars of occupancy   | Capital value in existing state as at 31 December 2011 |
|--|--|--|--|
| 4. Unit 101, Block 17, No.260 Liancao Road, Minhang District, Shanghai, the People's Republic of China   | <p>The property comprises portion of a 2-storey workshop.</p> <p>The property has a gross floor area of 1,431.06 sq.m. completed in 2005.</p> <p>According to the PRC legal opinion, since the property is situated on the allocated land, approval is required for the lease agreement. Once approved, the tenancy would be effective and legally binding on both parties. As the lessee of the property, the Group does not need to bear the relevant responsibility, but the tenancy may be invalid and unenforceable for the violation of laws and administrative regulations, which may cause the Group to move out of the property. The tenancy agreement has been registered.</p> | <p>The property is leased for a term commencing on 19 January 2005 and expiring on 31 December 2014 at a daily rent of RMB0.6 per sq.m. for the 1st year and subject to an annual increase of RMB0.015 per sq.m. per day since 2006.</p> | No commercial value                                    |
| 5. No. 172, Lane 38, Chengzhong Road, Zhujing Town, Shanghai, the People's Republic of China   | <p>The property comprises a unit on Level 1 of a 5-storey building. The property has a gross floor area of 20 sq.m. completed in 2005.</p> <p>According to the PRC legal opinion, the tenancy agreement is effective and legally binding on the parties. The tenancy agreement has not been registered and may result in the Company's inability to enforce its rights under the lease agreements against third parties.</p>   | <p>The property is leased for a term of 2 years commencing on 1 April 2011 at a monthly rent of RMB2,000.</p>  | No commercial value                                    |
| 6. An industrial unit situated at Qingguang Industrial Park, close to Jinba Highway, Beichen District, Tianjin, the People's Republic of China | <p>The property comprises an industrial unit with a gross floor area of 1,220 sq.m. completed in the 2000s.</p> <p>According to the PRC legal opinion, the tenancy agreement is effective and legally binding on the parties. The tenancy agreement has been registered.</p>   | <p>The property is leased for a term of 3 years commencing on 1 May 2011 at a daily rental of RMB0.25 per sq.m..</p>   | No commercial value                                    |

|    | <b>Property</b>  | <b>Description and tenure</b>   | <b>Particulars of occupancy</b>   | <b>Capital value in existing state as at 31 December 2011</b> |
|----|--|---|---|---|
| 7. | Portion of building at No.4191 Longwu Road, Minhang District, Shanghai, the People's Republic of China | <p>The property comprises portion of an industrial building completed in the 2000s.</p> <p>The property has a gross floor area of 2,598 sq.m..</p> <p>According to the PRC legal opinion, the tenancy agreement is effective and legally binding on the parties. The tenancy agreement has been registered.</p> | <p>The property is leased for a term commencing on 1 January 2012 and expiring on 31 December 2016 at a daily rent of RMB0.85 per sq.m. for the 1st year and subject to an annual increase of 5% from the 2nd year.</p> | No commercial value   |

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 11 June 2010 under the Cayman Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (the "Memorandum") and the Amended and Restated Articles of Association (the "Articles").

## **1. MEMORANDUM OF ASSOCIATION**

- (a) The Memorandum provides, inter alia, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and since the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified therein.

## **2. ARTICLES OF ASSOCIATION**

The Articles were adopted on 14 March 2012. The following is a summary of certain provisions of the Articles:

### **(a) Shares**

#### *(i) Classes of shares*

The share capital of the Company consists of ordinary shares.

#### *(ii) Share certificates*

Every person whose name is entered as a member in the register of members shall be entitled to receive a certificate for his shares. No shares shall be issued to bearer.

Every certificate for shares, warrants or debentures or representing any other form of securities of the Company shall be issued under the seal of the Company, and shall be signed autographically by one Director and the Secretary, or by 2 Directors, or by some other person(s) appointed by the Board for the purpose. As regards any certificates for shares or debentures or other securities of the Company, the Board may by resolution determine that such signatures or either of them shall be dispensed with or affixed by some method or system of mechanical signature other than autographic or may be printed thereon as specified in such resolution or that such certificates need not be signed by any person. Every share certificate issued shall specify the number and class of shares in respect of which it is issued and the amount paid thereon and may otherwise be in such form as the Board may from time to time prescribe. A share certificate shall relate to only one class of shares, and where the capital of the Company includes shares with different voting rights, the designation of each class of shares, other than those which carry the general right to vote at general meetings, must include the words “restricted voting” or “limited voting” or “non-voting” or some other appropriate designation which is commensurate with the rights attaching to the relevant class of shares. The Company shall not be bound to register more than 4 persons as joint holders of any share.

**(b) Directors**

*(i) Power to allot and issue shares and warrants*

Subject to the provisions of the Cayman Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that upon the happening of a specified event or upon a given date and either at the option of the Company or the holder thereof, they are liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate thereof shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate thereof has been destroyed and the Company has received an indemnity in such form as the Board shall think fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Cayman Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

*(ii) Power to dispose of the assets of the Company or any subsidiary*

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Cayman Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

*(iii) Compensation or payments for loss of office*

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

*(iv) Loans and provision of security for loans to Directors*

There are provisions in the Articles prohibiting the making of loans to Directors and their associates which are equivalent to provisions of Hong Kong law prevailing at the time of adoption of the Articles.

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective associates, or if any one or more of the Directors hold (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(v) *Disclosure of interest in contracts with the Company or with any of its subsidiaries*

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and, upon such terms as the Board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, either as vendor, purchaser or otherwise, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realized by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any Share by reason that the person or persons who are interested directly or indirectly therein have failed to disclose their interests to the Company.

A Director shall not vote (nor shall he be counted in the quorum) on any resolution of the Board in respect of any contract or arrangement or other proposal in which he or his associate(s) is/are materially interested, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters namely:

- (aa) the giving of any security or indemnity to the Director or his associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death or disability benefits scheme or other arrangement which relates both to Directors, his associate(s) and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not generally accorded to the employees to which such scheme or fund relates; or
- (ee) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

(vi) *Remuneration*

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree or failing agreement, equally, except that in such event any Director holding office for only a portion of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he has held office. The Directors shall also be entitled to be repaid all travelling, hotel and other expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.



Any Director who, at the request of the Company performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with other companies (being subsidiaries of the Company or with which the Company is associated in business), or may make contributions out of the Company's monies to, such schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

In addition, the Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

*(vii) Appointment, retirement and removal*

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

At each annual general meeting, one third of the Directors for the time being will retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors who shall retire in each year will be those who have been longest in the office since their last re-election or appointment but as between persons who become or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office or at the registration office. The period for lodgment of such notices will commence no earlier than the day after the despatch of the notice of the meeting appointed for such election and end no later than 7 days prior to the date of such meeting and the minimum length of the period during which such notices to the Company may be given must be at least 7 days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to the Board or retirement therefrom.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. The number of Directors shall not be less than two.

In addition to the foregoing, the office of a Director shall be vacated:

- (aa) if he resigns his office by notice in writing delivered to the Company at the registered office or head office of the Company for the time being or tendered at a meeting of the Board;
- (bb) if he dies or becomes of unsound mind as determined pursuant to an order made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Board resolves that his office be vacated;
- (cc) if, without special leave, he is absent from meetings of the Board for six (6) consecutive months, and the Board resolves that his office is vacated;

- (dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (ee) if he is prohibited from being a director by law;
- (ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles;
- (gg) if he has been validly required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director and the relevant time period for application for review of or appeal against such requirement has lapsed and no application for review or appeal has been filed or is underway against such requirement; or
- (hh) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) then in office.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director or Directors and other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

*(viii) Borrowing powers*

Pursuant to the Articles, the Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Cayman Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party. The provisions summarized above, in common with the Articles of Association in general, may be varied with the sanction of a special resolution of the Company.

(ix) *Register of Directors and officers*

Pursuant to the Cayman Companies Law, the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 30 days of any change in such directors or officers.

(x) *Proceedings of the Board*

Subject to the Articles, the Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

**(c) Alterations to the constitutional documents**

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed by the Company by special resolution.

**(d) Variation of rights of existing shares or classes of shares**

Subject to the Cayman Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings shall mutatis mutandis apply, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or in the case of a shareholder being a corporation, by its duly authorized representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

**(e) Alteration of capital**

The Company may, by an ordinary resolution of its members, (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; and (e) cancel shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorized and subject to any conditions prescribed by law.

Reduction of share capital – subject to the Cayman Companies Law and to confirmation by the court, a company limited by shares may, if so authorized by its Articles of Association, by special resolution, reduce its share capital in any way.

**(f) Special resolution – majority required**

In accordance with the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which not less than 21 clear days' notice, specifying the intention to propose the resolution as a special resolution, has been duly given. However, except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which less than 21 clear days' notice has been given.

Under Cayman Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An "ordinary resolution", by contrast, is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which not less than 14 clear days' notice has been given and held in accordance with the Articles. A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

**(g) Voting rights (generally and on a poll) and right to demand a poll**

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting on a show of hands, every member who is present in person or by proxy or being a corporation, is present by its duly authorized representative shall have one vote, and on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorized representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purpose as paid up on the share. Notwithstanding anything contained in the Articles, where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) (or its nominee(s)), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded or otherwise required under the rules of the stock exchange of the Relevant Territory (as defined in the Articles). A poll may be demanded by:

- (i) the chairman of the meeting; or
- (ii) at least two members present in person or, in the case of a member being a corporation, by its duly authorized representative or by proxy for the time being entitled to vote at the meeting; or
- (iii) any member or members present in person or, in the case of a member being a corporation, by its duly authorized representative or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (iv) a member or members present in person or, in the case of a member being a corporation, by its duly authorized representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s), be a member of the Company, such person or persons may be authorized as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorized, the authorisation shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized in accordance with this provision shall be deemed to have been duly authorized without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s), as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

**(h) Annual general meetings**

The Company must hold an annual general meeting each year. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorized by the Stock Exchange at such time and place as may be determined by the Board.

**(i) Accounts and audit**

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the assets and liabilities of the Company and of all other matters required by the Cayman Companies Law necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account or book or document of the Company except as conferred by the Cayman Companies Law or ordered by a court of competent jurisdiction or authorized by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarized financial statements to shareholders who has, in accordance with the rules of the stock exchange of the Relevant Territory (as defined in the Articles), consented and elected to receive summarized financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory (as defined in the Articles), and must be sent to the shareholders not less than 21 days before the general meeting to those shareholders that have consented and elected to receive the summarized financial statements.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

**(j) Notices of meetings and business to be conducted thereat**

An annual general meeting and any extraordinary general meeting at which it is proposed to pass a special resolution must be called by at least 21 days' notice in writing, and any other extraordinary general meeting shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting, and particulars of the resolution(s) to be considered at that meeting, and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member either personally or by sending it through the post in a prepaid envelope or wrapper addressed to such member at his registered address as appearing in the Company's register of members or by leaving it at such registered address as aforesaid or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address



is outside Hong Kong may notify the Company in writing of an address in Hong Kong which for the purpose of service of notice shall be deemed to be his registered address. Where the registered address of the member is outside Hong Kong, notice, if given through the post, shall be sent by prepaid airmail letter where available. Subject to the Cayman Companies Law and the Listing Rules, a notice or document may be served or delivered by the Company to any member by electronic means to such address as may from time to time be authorized by the member concerned or by publishing it on a website and notifying the member concerned that it has been so published.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the issued shares giving that right.

All business transacted at an extraordinary general meeting shall be deemed special business and all business shall also be deemed special business where it is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the Directors and the auditors;
- (cc) the election of Directors in place of those retiring;
- (dd) the appointment of auditors;
- (ee) the fixing of the remuneration of the Directors and of the auditors;
- (ff) the granting of any mandate or authority to the Board to offer, allot, grant options over, or otherwise dispose of the unissued shares of the Company representing not more than 20% in nominal value of its existing issued share capital (or such other percentage as may from time to time be specified in the rules of the Stock Exchange) and the number of any securities repurchased by the Company since the granting of such mandate; and
- (gg) the granting of any mandate or authority to the Board to repurchase securities in the Company.

**(k) Transfer of shares**

Subject to the Cayman Companies Law, all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve provided always that it shall be in such form prescribed by the Stock Exchange and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers in any case in which it in its discretion thinks fit to do so, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share option scheme upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The Board may decline to recognize any instrument of transfer unless a fee of such maximum sum as the Stock Exchange may determine to be payable or such lesser sum as the Board may from time to time require is paid to the Company in respect thereof, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules (as defined in the Articles) be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction with respect to the right of the holder thereof to transfer such shares (except when permitted by the Stock Exchange) and shall also be free from all liens.

**(l) Power of the Company to purchase its own shares**

The Company is empowered by the Cayman Companies Law and the Articles to purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price, and if purchases are by tender, tenders shall be available to all members alike.

**(m) Power of any subsidiary of the Company to own shares in the Company**

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

**(n) Dividends and other methods of distribution**

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

- (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share; and
- (ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared on the share capital of the Company, the Board may resolve:

- (aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, but in the case of joint holders, shall be addressed to the holder whose name stands first in the register of members of the Company in respect of the shares at his address as appearing in the register, or addressed to such person and at such address as the holder or joint holders may in writing so direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise made use of by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

**(o) Proxies**

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorized in writing, or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorized. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for use by him for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

**(p) Calls on shares and forfeiture of shares**

The Board may from time to time make such calls as it may think fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times. A call may be made payable either in one sum or by

instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for the payment thereof to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment thereof, the Board may, at any time thereafter during such time as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice will name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and it shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

**(q) Inspection of corporate records**

Members of the Company have no general right under the Cayman Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. However, the members of the Company will have such rights as may be set forth in the Articles. The Articles provide that for so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of member is closed) without charge and require the provision to him of copies or extracts thereof in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or outside the Cayman Islands, as its directors may, from time to time, think fit.

**(r) Quorum for meetings and separate class meetings**

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorized representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

**(s) Rights of minorities in relation to fraud or oppression**

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

**(t) Procedures on liquidation**

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, on the shares held by them respectively.

In the event that the Company is wound up (whether the liquidation is voluntary or compelled by the court) the liquidator may, with the sanction of a special resolution and any other sanction required by the Cayman Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator shall think fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

**(u) Untraceable members**

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

In accordance with the Articles, the Company is entitled to sell any of the shares of a member who is untraceable if:

- (i) all cheques or warrants, being not less than three in total number, for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years;
- (ii) upon the expiry of the 12 years and 3 months period (being the 3 months notice period referred to in sub-paragraph (iii)), the Company has not during that time received any indication of the existence of the member; and
- (iii) the Company has caused an advertisement to be published in accordance with the rules of the stock exchange of the Relevant Territory (as defined in the Articles) giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the stock exchange of the Relevant Territory (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.



**(v) Subscription rights reserve**

Pursuant to the Articles, provided that it is not prohibited by and is otherwise in compliance with the Cayman Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

**3. CAYMAN ISLANDS COMPANY LAW**

The Company was incorporated in the Cayman Islands as an exempted company on 11 June 2010 subject to the Cayman Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Cayman Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

**(a) Company operations**

As an exempted company, the Company must conduct its operations mainly outside the Cayman Islands. Moreover, the Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorized share capital.

**(b) Share capital**

In accordance with the Cayman Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. The Cayman Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Cayman Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- (i) paying distributions or dividends to members;
- (ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

- (iii) any manner provided in section 37 of the Cayman Companies Law;
- (iv) writing-off the preliminary expenses of the company; and
- (v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, the Cayman Companies Law provides that no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

It is further provided by the Cayman Companies Law that, subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorized to do so by its articles of association, by special resolution reduce its share capital in any way.

The Articles include certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

**(c) Financial assistance to purchase shares of a company or its holding company**

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company when proposing to grant such financial assistance discharge their duties of care and acting in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

**(d) Purchase of shares and warrants by a company and its subsidiaries**

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares. Nonetheless, if the articles of association do not authorize the manner and terms of purchase, a company cannot purchase any of its own shares without the manner and terms of purchase first being authorized by an ordinary resolution of the company. A company may not redeem or purchase

its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Under Section 37A(1) the Cayman Companies Law, shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if (a) the memorandum and articles of association of the company do not prohibit it from holding treasury shares; (b) the relevant provisions of the memorandum and articles of association (if any) are complied with; and (c) the company is authorized in accordance with the company's articles of association or by a resolution of the directors to hold such shares in the name of the company as treasury shares prior to the purchase, redemption or surrender of such shares. Shares held by a company pursuant to section 37A(1) of the Cayman Companies Law shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Cayman Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

**(e) Dividends and distributions**

With the exception of sections 34 and 37A(7) of the Cayman Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Cayman Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see sub-paragraph 2(n) of this Appendix for further details). Section 37A(7)(c) of the Cayman Companies Law provides that for so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

**(f) Protection of minorities and shareholders' suits**

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions thereto) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge:

- (i) an act which is *ultra vires* the company or illegal;
- (ii) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company; and
- (iii) an irregularity in the passing of a resolution the passage of which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members thereof holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report thereon.

Moreover, any member of a company may petition the court which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

**(g) Disposal of assets**

There are no specific restrictions in the Cayman Companies Law on the power of directors to dispose of assets of a company, although it specifically requires that every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interest of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

**(h) Accounting and auditing requirements**

Section 59 of the Cayman Companies Law provides that a company shall cause proper records of accounts to be kept with respect to (i) all sums of money received and expended by the company and the matters with respect to which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company and (iii) the assets and liabilities of the company.

Section 59 of the Cayman Companies Law further states that proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

**(i) Exchange control**

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

**(j) Taxation**

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Council:

- (i) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and
- (ii) in addition, that no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
  - (aa) on or in respect of the shares, debentures or other obligations of the Company;  
or
  - (bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (1999 Revision).

The undertaking for the Company is for a period of twenty years from 6 July 2010.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments.

**(k) Stamp duty on transfers**

There is no stamp duty payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

**(l) Loans to directors**

The Cayman Companies Law contains no express provision prohibiting the making of loans by a company to any of its directors. However, the Articles provide for the prohibition of such loans under specific circumstances.

**(m) Inspection of corporate records**

The members of the company have no general right under the Cayman Companies Law to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

**(n) Register of members**

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the Company may determine, from time to time. The Cayman Companies Law contains no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

**(o) Winding up**

A Cayman Islands company may be wound up either by (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company occurs where the Company so resolves by special resolution that it be wound up voluntarily, or, where the Company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due; or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or where the event occurs on the occurrence of which the memorandum or articles provides that the company is to be wound up. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment

of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators shall be appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order shall take effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, there may be appointed one or more persons to be called an official liquidator or official liquidators; and the court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one persons are appointed to such office, the court shall declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

**(p) Reconstructions**

Reconstructions and amalgamations are governed by specific statutory provisions under the Cayman Companies Law whereby such arrangements may be approved by a majority in number representing 75% in value of members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member would have the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, nonetheless the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if

the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

**(q) Take-overs**

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

**(r) Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

**4. GENERAL**

Appleby, the Company's legal adviser on Cayman Islands law, has sent to the Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Cayman Companies Law, is available for inspection as referred to in the paragraph headed "Documents Available for Inspection" in Appendix VII. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.



**A. FURTHER INFORMATION ABOUT OUR COMPANY****1. Incorporation of our Company**

Our Company is incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 11 June 2010. Our Company has been registered as a non-Hong Kong company under Part XI of the Companies Ordinance on 5 August 2010 and our principal place of business in Hong Kong is at 2201-2203, 22/F, World Wide House, Central, Hong Kong. Dr. Leung Wai Cheung of Room A, 25 Floor, Block One, Central Park, 18 Hoi Ting Road, Kowloon, Hong Kong has been appointed as the authorized representative of our Company for the acceptance of service of process and notices in Hong Kong.

As our Company is incorporated in the Cayman Islands, we are subject to the relevant laws of the Cayman Islands and our constitution which comprises the Memorandum of Association of our Company and the Articles. A summary of the relevant aspects of the Companies Law and certain provisions of the Articles is set out in Appendix V to this prospectus.

**2. Changes in share capital of our Company**

- (a) As at the date of incorporation of our Company, our authorized share capital was HK\$390,000 divided into 39,000,000 shares of HK\$0.01 each. One Share was allotted and issued fully paid to Reid Services Limited, which was subsequently transferred to WMS Holding on the same date at the consideration of HK\$0.01.
- (b) On 13 March 2012, 1,070,524 Shares, 225,000 Shares, 278,000 Shares, 231,000 Shares, 72,000 Shares, 279,850 Shares, 1,493,999 Shares, 90,000 Shares, 513,220 Shares, 153,966 Shares, 102,644 Shares, 35,925 Shares, 25,661 Shares, 25,661 Shares, and 66,719 Shares credited as fully-paid were allotted and issued to Mr. Fu, Mr. Sam Wong, Mr. Tay, Mr. William Wong, Charter Field, Septwolves, WMS Holding, World Leap, Phillip Ventures Enterprise Fund 2 Ltd., 3VS1 Asia Growth Fund Ltd., Skylight Enterprises Group Ltd, Julian Lionel Sandt, Long Chee Tim Daniel, Terrance Tan Kong Hwa and Polygon Capital Limited respectively pursuant to the Reorganization and as consideration for the acquisition by SG (BVI) Limited the entire issued share capital of SG Tech.
- (c) On 14 March 2012, our Shareholders resolved to increase the authorized share capital of our Company from HK\$390,000 to HK\$100,000,000 by the creation of an additional of 9,961,000,000 Shares, each ranking pari passu with our Shares then in issue in all respects.

Immediately following completion of the Capitalization Issue and the Global Offering, the authorized share capital of our Company will be HK\$100,000,000 divided into 10,000,000,000 Shares, of which 616,417,000 Shares will be issued fully paid or credited as fully paid, and 9,383,583,000 Shares will remain unissued. Other than pursuant to the general mandate to issue Shares referred to in the paragraph headed "Written resolutions of our Shareholders passed on 13 March 2012" in this Appendix and pursuant to the Share Option Scheme, we do not have

any present intention to issue any of the authorized but unissued share capital of our Company and, without prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed in this prospectus, there has been no alteration in our Company's share capital since its incorporation.

### **3. Written resolutions of our Shareholders passed on 14 March 2012**

By written resolutions of our Shareholders passed on 14 March 2012:

- (a) our Company approved and adopted the Memorandum of Association of our Company and the Articles;
- (b) the authorized share capital of our Company was increased from HK\$390,000 to HK\$100,000,000 by the creation of an additional of 9,961,000,000 Shares of HK\$0.01 each, each ranking pari passu with our Shares then in issue in all respects;
- (c) conditional on (i) the Listing Committee granting listing of, and permission to deal in, our Shares in issue and Shares to be issued as mentioned in this prospectus including any Shares which may be issued pursuant to the exercise of the options granted under the Share Option Scheme, (ii) the entering into of the agreement on the Offer Price between the Sole Global Coordinator (for and on behalf of the Underwriters) and the Company on the Price Determination Date; (iii) on the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before such dates as may be specified in the Underwriting Agreements:
  - (i) the Global Offering was approved and our Directors were authorized to allot and issue the new Shares pursuant to the Global Offering and such number of Shares as may be allotted and issued upon the exercise of the Share Option Scheme; and
  - (ii) the rules of the Share Option Scheme were approved and adopted and our Directors were authorized, at their absolute discretion, to administer the Share Option Scheme, to modify/amend the Share Option Scheme from time to time as requested by the Stock Exchange, to grant options to subscribe for Shares under the Share Option Scheme, to allot, issue and deal with the Shares issued pursuant to the Share Option Scheme, to make application at the appropriate time or times to the Stock Exchange for the listing of, and permission to deal in, any Shares or any part thereof that may hereafter from time to time be issued and allotted pursuant to the exercise of the options granted under the Share Option Scheme and to take all such steps as they consider necessary or desirable to implement the Share Option Scheme and to vote on any matter connected therewith notwithstanding that they or any of them may be interested in the same; and

- (iii) following the increase in the authorized share capital of our Company in paragraph (b) above and conditional on the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the Global Offering, the Directors were authorized, our Directors were authorized to capitalize an amount of HK\$4,617,528.3 standing to the credit of the share premium account of our Company and to appropriate such amount as to capital to pay up in full at par 461,752,830 Shares for allotment and issue to the person(s) whose name(s) will appear on the register of members of our Company at 8:00 a.m. (Hong Kong time) on 29 March 2012 in proportion (as nearly as possible without involving fractions) to its/their then existing shareholding(s) in our Company, each ranking *pari passu* in all respects with the then existing issued Shares, and our Directors were authorized to register the names of such Shareholders on the Company's principal register of members in the Cayman Islands at or around 8:05 a.m. (Hong Kong Time) on the Listing Date as holders of the relevant number of Capitalization Shares allotted and issued to such persons.
- (d) a general unconditional mandate was given to our Directors to exercise all the powers of the Company to allot, issue and deal with (including the power to make an offer or agreement, or grant securities which would or might require Shares to be allotted and issued), otherwise than pursuant to a rights issue or pursuant to any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles or upon the exercise of the options that may be granted under the Share Option Scheme or other similar arrangement or pursuant to a specific authority granted by the Shareholders in a general meeting, Shares with a total nominal value not exceeding 20% of the aggregate nominal value of the share capital of the Company in issue and to be issued immediately following completion of the Global Offering and the Capitalization Issue but without taking into account any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and any Shares which may be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, such mandate to remain in effect until whichever is the earliest of:
- (i) the conclusion of the next annual general meeting of our Company; or
  - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held; or
  - (iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting;

- (e) a general unconditional mandate was given to our Directors authorizing them to exercise all powers of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, in accordance with all applicable laws and the requirements of the Listing Rules or equivalent rules or regulations of such other stock exchange, such number of Shares as will represent up to 10% of the aggregate of the nominal value of the share capital of our Company in issue and to be issued immediately following completion of the Capitalization Issue and the Global Offering but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option and any Shares which may be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, such mandate to remain in effect until whichever is the earliest of:
  - (i) the conclusion of the next annual general meeting of our Company; or
  - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
  - (iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting; and
- (f) the general unconditional mandate mentioned in sub-paragraph (d) above was extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted or agreed conditionally or unconditionally to be allotted issued on dealt with by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in sub-paragraph (e) above, provided that such extended amount shall not exceed 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Capitalization Issue and the Global Offering but excluding any Shares which may be issued upon exercise of the Over-allotment Option and any Shares which may be allotted and issued upon the exercise of the options which may be granted under the Share Option Scheme.

#### **4. Corporate reorganization**

The companies comprising our Group underwent the Reorganization to rationalize our Group's structure in preparation for the listing of our Shares on the Stock Exchange, pursuant to which our Company became the holding company of our Group. For details, please refer to the section headed "Company History and Reorganization" of this prospectus.

The Reorganization which was effected in preparation for the Listing, whereby our Company became the holding company of our Group, included the following major steps:

- (a) On 11 June 2010, our Company was incorporated under the laws of the Cayman Islands as an exempted company and one fully paid Share was allotted and issued to Reid Services Limited, which was subsequently transferred to WMS Holding on the same date at the consideration of HK\$0.01;
- (b) On 5 July 2010, our Company set up a wholly-owned subsidiary, namely SG (BVI) Limited.
- (c) Pursuant to a sale and purchase agreement dated 9 March 2012, on 13 March 2012, 1,070,524 Shares, 225,000 Shares, 278,000 Shares, 231,000 Shares, 72,000 Shares, 279,850 Shares, 1,493,999 Shares, 90,000 Shares, 513,220 Shares, 153,966 Shares, 102,644 Shares, 35,925 Shares, 25,661 Shares and 25,661 Shares, and 66,719 Shares credited as fully-paid were allotted and issued to Mr. Fu, Mr. Sam Wong, Mr. Tay, Mr. William Wong, Charter Field, Septwolves, WMS Holding, World Leap, Phillip Ventures Enterprise Fund 2 Ltd., 3VS1 Asia Growth Fund Ltd., Skylight Enterprises Group Ltd, Julian Lionel Sandt, Long Chee Tim Daniel, Terrance Tan Kong Hwa and Polygon Capital Limited respectively in consideration of the shareholders of SG Tech transferring all the issued shares of SG Tech to SG (BVI) Limited.

Immediately after completion of the above steps, our Company then became the holding company of our Group.

##### **5. Changes in share capital of subsidiaries**

The subsidiaries of our Company are listed in the accountants' report set out in Appendix I to this prospectus. In addition to the alterations described in paragraph headed "Corporate reorganization" above, the following changes in the share capital of the subsidiaries of our Company took place within the two years immediately preceding the date of this prospectus:

###### *FNW International*

On 8 June 2010, FNW International was incorporated as a wholly-owned subsidiary of CWG. On 22 June 2010, 100 shares of US\$1 each were allotted and issued to CWG, credited as fully paid at par.

###### *FNW*

On 13 April 2011, Mr. Fu transferred his 49% equity interest in FNW to CW Tech at a consideration of S\$49.

*SG (BVI) Limited*

On 18 May 2010, SG (BVI) Limited was incorporated in the British Virgin Islands with limited liability. On 5 July 2010, 100 shares of US\$1 each was allotted and issued to our Company.

*CWI (Shanghai)*

On 2 June 2010, the paid-up registered capital of CWI (Shanghai) increased from US\$898,515.70 to US\$1,000,000, representing 100% of its registered capital.

On 10 December 2010, CWI (Shanghai) increased the registered capital from US \$1,000,000 to US\$2,500,000.

*Tianjin FeiSiTe*

On 24 May 2011, Tianjin FeiSiTe increased the registered capital from US \$200,000 to US\$3,650,500.

**6. Repurchase of our Shares by our Company**

This section includes information required by the Stock Exchange to be included in the prospectus concerning the repurchase of our Shares by our Company.

*(a) Provisions of the Listing Rules*

The Listing Rules permit companies with a primary listing on the Stock Exchange to purchase their shares on the Stock Exchange subject to certain restrictions.

*(i) Shareholders' approval*

The Listing Rules provide that all proposed repurchases of shares (which must be fully paid in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, either by way of general mandate or by specific approval of a specific transaction.

*Note:* Pursuant to the written resolutions of our Shareholders passed on 14 March 2012, a general unconditional mandate (the "Repurchase Mandate") was given to our Directors authorizing our Directors to exercise all powers of our Company to purchase on the Stock Exchange, or any other stock exchange on which our Shares may be listed and recognized by the SFC and the Stock Exchange for this purpose, Shares representing up to 10% of the total nominal amount of our Shares in issue and to be issued immediately following completion of the Capitalization Issue and the Global Offering but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option and any Shares which may be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, and the Repurchase Mandate

shall remain in effect until whichever is the earliest of the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by law or the Articles to be held, or when the Repurchase Mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting.

(ii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles and the laws of the Cayman Islands. A listed company may not repurchase its own shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange.

Any repurchases by our Company may be made out of profits or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if authorized by the Articles and subject to the Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of profits of our Company or out of our Company's share premium account before or at the time our Shares are repurchased or, if authorized by the Articles and subject to the Companies Law, out of capital.

(b) *Reasons for repurchases*

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have a general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of our Company's net asset value and/or earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and our Shareholders.

(c) *Exercise of the Repurchase Mandate*

Exercise in full of the Repurchase Mandate, on the basis of 616,417,000 Shares in issue after completion of the Capitalization Issue and Global Offering but without taking into account any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme, could accordingly result in up to 61,641,700 Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

(d) *Funding of repurchase*

In repurchasing Shares, our Company may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws of the Cayman Islands.

Our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(e) *General*

None of our Directors or, to the best of their knowledge having made all reasonable enquiries, any of their associates (as defined in the Listing Rules), has any present intention if the Repurchase Mandate is exercised to sell any Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

If as a result of a repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers and Share Repurchases (the "Takeovers Code"). Accordingly, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase of the Shareholders' interest, could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase. Save as disclosed above, our Directors are not aware of any consequence that would arise under the Takeovers Code as a result of a repurchase pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules).

No connected person (as defined in the Listing Rules) of our Company has notified our Company that he has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

## **B. FURTHER INFORMATION ABOUT THE BUSINESS**

### **1. Summary of material contracts**

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material:

- (a) a loan agreement dated 22 March 2010 between CW Group Pte Ltd and WMS Holding Pte Ltd pursuant to which WMS Holding Pte Ltd agreed to provide an interest-free and unsecured loan of S\$1,000,000 to CW Group Pte Ltd;



- (b) 股票買賣協議 (share sale and purchase agreement) dated 9 April 2010 between SG Tech Holdings Limited and Septwolves Group (Asia) Investments Limited pursuant to which Septwolves Group (Asia) Investments Limited agreed to subscribe for 143,650 shares in SG Tech Holdings Limited at a consideration of HK\$16,500,000;
- (c) 補充契約 (supplemental deed) dated 31 May 2010 between SG Tech Holdings Limited and Septwolves Group (Asia) Investments Limited, pursuant to which the parties agreed to amend certain provisions of the 股票買賣協議 (share sale and purchase agreement) referred to in item (b);
- (d) a redeemable convertible loan agreement dated 21 April 2010 among SG Tech Holdings Ltd (as borrower), Phillip Ventures Enterprise Fund 2 Ltd, 3VS1 Asia Growth Fund Ltd, Skylight Enterprises Group Limited, Julian Lionel Sandt, Long Chee Tim Daniel and Terrance Tan Kong Hwa (as lenders), and Wong Koon Lup, Wong Mun Sum and WMS Holding Pte Ltd (as the main shareholders and warrantors), pursuant to which the lenders agreed to grant a redeemable convertible loan in the principal amount of S\$9,000,000 to SG Tech Holdings Ltd;
- (e) a supplemental deed dated 8 July 2010 among SG Tech Holdings Ltd (as borrower), Phillip Ventures Enterprise Fund 2 Ltd, 3VS1 Asia Growth Fund Ltd, Skylight Enterprise Group Limited, Julian Lionel Sandt, Polygon Capital Ltd, Long Chee Tim Daniel and Terrance Tan Kong Hwa (as lenders), and Wong Koon Lup, Wong Mun Sum and WMS Holding Pte Ltd (as the main shareholders and warrantors), pursuant to which the parties agreed to amend certain provisions of the redeemable convertible loan agreement referred to in item (d);
- (f) a second supplemental deed dated 30 September 2010 among SG Tech Holdings Ltd (as borrower), Phillip Ventures Enterprise Fund 2 Ltd, 3VS1 Asia Growth Fund Ltd, Skylight Enterprises Group Limited, Julian Lionel Sandt, Polygon Capital Ltd, Long Chee Tim Daniel, Terrance Tan Kong Hwa (as lenders) and Wong Koon Lup, Wong Mun Sum and WMS Holding Pte Ltd (as the main shareholders and warrantors), pursuant to which the parties agreed to amend certain terms of the redeemable convertible loan agreement referred to in item (d) and the supplemental deed referred to in item (e);
- (g) a second amended and restated redeemable convertible loan agreement dated 30 September 2010 among SG Tech Holdings Ltd (as borrower), Phillip Ventures Enterprise Fund 2 Ltd, 3VS1 Asia Growth Fund Ltd, Skylight Enterprises Group Limited, Julian Lionel Sandt, Polygon Capital Ltd, Long Chee Tim Daniel and Terrance Tan Kong Hwa (as lenders), and Wong Koon Lup, Wong Mun Sum and WMS Holding Pte Ltd (as the main shareholders and warrantors) pursuant to which the lenders agreed to grant a redeemable convertible loan in the principal amount of S\$9,000,000 to SG Tech Holdings Ltd;

- (h) a letter of extension of longstop date dated 16 August 2011 in relation to the second amended and restated redeemable convertible loan agreement referred to in item (g) signed by Phillip Ventures Enterprise Fund 2 Ltd, 3VS1 Asia Growth Fund Ltd, Skylight Enterprises Group Limited, Julian Lionel Sandt, Polygon Capital Ltd, Long Chee Tim Daniel and Terrance Tan Kong Hwa and a letter dated 27 September 2011 in relation to the aforesaid letter of extension of longstop date signed by SG Tech Holdings Limited, Wong Koon Lup and Wong Mun Sum;
- (i) a letter of extension of revised longstop date and tenure (“Second Extension Letter”) dated 31 December 2011 in relation to the extension of the revised longstop date to 31 March 2012 signed by Phillip Ventures Enterprise Fund 2 Ltd, 3VS1 Asia Growth Fund Ltd, Skylight Enterprises Group Limited, Julian Lionel Sandt, Polygon Capital Ltd, Long Chee Tim Daniel and Terrance Tan Kong Hwa and a letter of confirmation dated 31 December 2011 in relation to the aforesaid Second Extension Letter signed by SG Tech Holdings Ltd, Wong Koon Lup, Wong Mun Sum and WMS Holding Pte Ltd;
- (j) a share sale and purchase agreement dated 15 April 2010 between Lau Kit Wai as vendor and SG Tech Holdings Limited as purchaser in relation to the repurchase of 90,000 shares by SG Tech Holdings Limited from Lau Kit Wai at a consideration of S\$675,000;
- (k) a deed of assignment dated 5 May 2010 executed by WMS Holding Pte Ltd and SG Tech Holdings Limited in relation to the assignment by WMS Holding Pte Ltd to SG Tech Holdings Limited of a loan in the amount of S\$500,000 owed by CW Group Pte Ltd to WMS Holding Pte Ltd in consideration of 500,000 new shares issued by SG Tech Holdings Limited to WMS Holding Pte Ltd;
- (l) an instrument of transfer dated 22 June 2010 between FNW International Pte. Ltd as transferor and FNW International Limited as transferee in relation to the transfer of 51 shares in Fu Yang International Co., Ltd. at a consideration of US\$51;
- (m) an instrument of transfer dated 22 June 2010 between FNW International Pte. Ltd. as transferor and Fu Junwu as transferee in relation to the transfer of 49 shares in Fu Yang International Co., Ltd. at a consideration of US\$49;
- (n) a sale and purchase agreement relating to 49% shareholding in Fu Yang International Co., Ltd. dated 8 November 2010 between Fu Junwu as vendor, FNW International Limited as purchaser and SG Tech Holdings Limited in relation to the transfer of 49 shares in Fu Yang International Co., Ltd. at a consideration of S\$21,249,372;
- (o) an instrument of transfer dated 8 November 2010 between Fu Junwu as transferor and FNW International Limited as transferee in relation to the transfer of 49 shares in Fu Yang International Co., Ltd.;
- (p) a transfer dated 13 April 2011 between Fu Junwu as transferor and CW Tech Pte. Ltd. as transferee in relation to the transfer of 49 shares in FNW International Pte. Ltd. at a consideration of S\$49;

- (q) 公司股權轉讓協議 (agreement for transfer of equity interest in company) dated 20 February 2012 between Fu Yang International Co., Ltd as vendor and Honor Well Group Holdings Limited as purchaser in relation to the transfer of 100% equity interest in 天津菲斯特機械設備有限公司 (Tianjin FeiSiTe Machinery Co., Ltd.) at a consideration of US\$3,650,500;
- (r) an agreement dated 20 February 2012 between FNW International Limited as vendor and Fu Junwu as purchaser in relation to the transfer of 100 shares in Fu Yang International Co. Ltd. at a consideration of US\$1;
- (s) 貸款合約 (loan agreement) dated 10 February 2012 between Sun Finance Company Limited (the lender) and CW Group Holdings Limited pursuant to which the lender agreed to provide a loan in the principal amount of HK\$15,000,000 to CW Group Holdings Limited;
- (t) a sale and purchase agreement dated 9 March 2012 entered into between SG (BVI) Limited as purchaser and Wong Mun Sum, Tay Choon Siong, Wong Koon Lup, Fu Junwu, Charter Field Enterprises Limited, Septwolves Group (Asia) Investments Limited, WMS Holding Pte. Ltd., World Leap Corporation, Phillip Ventures Enterprise Fund 2 Ltd, 3VS1 Asia Growth Fund Ltd, Skylight Enterprises Group Limited, Julian Lionel Sandt, Long Chee Tim Daniel, Terrance Tan Kong Hwa and Polygon Capital Limited as vendors, pursuant to which SG (BVI) Limited acquired 4,664,170 shares in SG Tech Holdings Limited, representing the entire issued and paid-up share capital of SG Tech Holdings Limited, in consideration therefor our Company issued Shares credited as fully-paid to the vendors in accordance with clause 2.3 as set out therein;
- (u) an instrument of transfer dated 13 March 2012 entered into between Wong Mun Sum and SG (BVI) Limited, pursuant to which Wong Mun Sum transferred 225,000 shares in SG Tech Holdings Limited to SG (BVI) Limited in consideration of 225,000 shares to be allotted and issued by our Company at a total consideration of HK\$2,250 and in accordance with the terms of the sale and purchase agreement referred to in item (t) above;
- (v) an instrument of transfer dated 13 March 2012 entered into between Tay Choon Siong and SG (BVI) Limited, pursuant to which Tay Choon Siong transferred 278,000 shares in SG Tech Holdings Limited to SG (BVI) Limited in consideration of 278,000 shares to be allotted and issued by our Company at a total consideration of HK\$2,780 and in accordance with the terms of the sale and purchase agreement referred to in item (t) above;
- (w) an instrument of transfer dated 13 March 2012 entered into between Wong Koon Lup and SG (BVI) Limited, pursuant to which Wong Koon Lup transferred 231,000 shares in SG Tech Holdings Limited to SG (BVI) Limited in consideration of 231,000 shares to be allotted and issued by our Company at a total consideration of HK\$2,310 and in accordance with the terms of the sale and purchase agreement referred to in item (t) above;

- (x) an instrument of transfer dated 13 March 2012 entered into between Charter Field Enterprises Limited and SG (BVI) Limited, pursuant to which Charter Field Enterprises Limited transferred 72,000 shares in SG Tech Holdings Limited to SG (BVI) Limited in consideration of 72,000 shares to be allotted and issued by our Company at a total consideration of HK\$720 and in accordance with the terms of the sale and purchase agreement referred to in item (t) above;
- (y) an instrument of transfer dated 13 March 2012 entered into between Septwolves Group (Asia) Investments Limited and SG (BVI) Limited, pursuant to which Septwolves Group (Asia) Investments Limited transferred 279,850 shares in SG Tech Holdings Limited to SG (BVI) Limited in consideration of 279,850 shares to be allotted and issued by our Company at a total consideration of HK\$2,798.5 and in accordance with the terms of the sale and purchase agreement referred to in item (t) above;
- (z) an instrument of transfer dated 13 March 2012 entered into between WMS Holding Pte. Ltd. and SG (BVI) Limited, pursuant to which WMS Holding Pte. Ltd. transferred 1,494,000 shares in SG Tech Holdings Limited to SG (BVI) Limited in consideration of 1,493,999 shares to be allotted and issued by our Company at a total consideration of HK\$14,939.99 and in accordance with the terms of the sale and purchase agreement referred to in item (t) above;
- (aa) an instrument of transfer dated 13 March 2012 entered into between World Leap Corporation and SG (BVI) Limited, pursuant to which World Leap Corporation transferred 90,000 shares in SG Tech Holdings Limited to SG (BVI) Limited in consideration of 90,000 shares to be allotted and issued by our Company at a total consideration of HK\$900 and in accordance with the terms of the sale and purchase agreement referred to in item (t) above;
- (bb) an instrument of transfer dated 13 March 2012 entered into between Fu Junwu and SG (BVI) Limited, pursuant to which Fu Junwu transferred 1,070,524 shares in SG Tech Holdings Limited to SG (BVI) Limited in consideration of 1,070,524 shares to be allotted and issued by our Company at a total consideration of HK\$10,705.24 and in accordance with the terms of the sale and purchase agreement referred to in item (t) above;
- (cc) an instrument of transfer dated 13 March 2012 entered into between Phillip Ventures Enterprise Fund 2 Ltd and SG (BVI) Limited, pursuant to which Phillip Ventures Enterprise Fund 2 Ltd transferred 513,220 shares in SG Tech Holdings Limited to SG (BVI) Limited in consideration of 513,220 shares to be allotted and issued by our Company at a total consideration of HK\$5,132.2 and in accordance with the terms of the sale and purchase agreement referred to in item (t) above;
- (dd) an instrument of transfer dated 8 March 2012 entered into between 3VS1 Asia Growth Fund Ltd and SG (BVI) Limited, pursuant to which 3VS1 Asia Growth Fund Ltd transferred 153,966 shares in SG Tech Holdings Limited to SG (BVI) Limited in consideration of 153,966 shares to be allotted and issued by our Company at a total consideration of HK\$1,539.66 and in accordance with the terms of the sale and purchase agreement referred to in item (t) above;

- (ee) an instrument of transfer dated 13 March 2012 entered into between Skylight Enterprises Group Limited and SG (BVI) Limited, pursuant to which Skylight Enterprises Group Limited transferred 102,644 shares in SG Tech Holdings Limited to SG (BVI) Limited in consideration of 102,644 shares to be allotted and issued by our Company at a total consideration of HK\$1,026.44 and in accordance with the terms of the sale and purchase agreement referred to in item (t) above;
- (ff) an instrument of transfer dated 9 March 2012 entered into between Julian Lionel Sandt and SG (BVI) Limited, pursuant to which Julian Lionel Sandt transferred 35,925 shares in SG Tech Holdings Limited to SG (BVI) Limited in consideration of 35,925 shares to be allotted and issued by our Company at a total consideration of HK\$359.25 and in accordance with the terms of the sale and purchase agreement referred to in item (t) above;
- (gg) an instrument of transfer dated 13 March 2012 entered into between Long Chee Tim Daniel and SG (BVI) Limited, pursuant to which Long Chee Tim Daniel transferred 25,661 shares in SG Tech Holdings Limited to SG (BVI) Limited in consideration of 25,661 shares to be allotted and issued by our Company at a total consideration of HK\$256.61 and in accordance with the terms of the sale and purchase agreement referred to in item (t) above;
- (hh) an instrument of transfer dated 13 March 2012 entered into between Terrance Tan Kong Hwa and SG (BVI) Limited, pursuant to which Terrance Tan Kong Hwa transferred 25,661 shares in SG Tech Holdings Limited to SG (BVI) Limited in consideration of 25,661 shares to be allotted and issued by our Company at a total consideration of HK\$256.61 and in accordance with the terms of the sale and purchase agreement referred to in item (t) above;
- (ii) an instrument of transfer dated 9 March 2012 entered into between Polygon Capital Limited and SG (BVI) Limited, pursuant to which Polygon Capital Limited transferred 66,719 shares in SG Tech Holdings Limited to SG (BVI) Limited in consideration of 66,719 shares to be allotted and issued by our Company at a total consideration of HK\$667.19 and in accordance with the terms of the sale and purchase agreement referred to in item (t) above;
- (jj) a deed of non-competition dated 14 March 2012 entered into among Wong Koon Lup, Wong Mun Sum, WMS Holding Pte. Ltd. and the Company, details of which are disclosed in the section headed “Relationship with our Controlling Shareholders” in this prospectus;
- (kk) a deed of indemnity dated 14 March 2012 executed by Wong Koon Lup, Wong Mun Sum and WMS Holding Pte. Ltd. and our Company, pursuant to which Wong Koon Lup, Wong Mun Sum and WMS Holding Pte. Ltd. have agreed to give certain indemnities in favour of our Company for itself and as trustee for its subsidiaries stated therein; and
- (ll) the Hong Kong Underwriting Agreement.


## 2. Intellectual property rights

### Trademark

As at the Latest Practicable Date, our Group had the following registered trademarks:

| Trademark  | Country of Registration |                   | Registration Date | Registration No. | Registrant  |
|--|-------------------------|-------------------|-------------------|------------------|-------------|
|  | Class                   | Class             |                   |                  |             |
| <br>(series of 2 marks) | Singapore               | 7 <sup>(1)</sup>  | 30 October 2008   | T0814905I        | SG Tech     |
|  |                         | 35 <sup>(1)</sup> |                   |                  |             |
|  |                         | 37 <sup>(1)</sup> |                   |                  |             |
|  |                         | 42 <sup>(1)</sup> |                   |                  |             |
|                         | PRC                     | 7 <sup>(1)</sup>  | 14 June 2010      | 7031887          | SG Tech     |
|  |                         | 35 <sup>(1)</sup> | 21 August 2010    | 7031888          |             |
|  |                         | 37 <sup>(1)</sup> | 28 August 2010    | 7031889          |             |
|  |                         | 42 <sup>(1)</sup> | 14 October 2010   | 7031890          |             |
|                        | Hong Kong               | 7 <sup>(4)</sup>  | 28 June 2011      | 301958590        | the Company |
|                       | Singapore               | 7 <sup>(7)</sup>  | 28 June 2011      | T1110773F        | the Company |

As at the Latest Practicable Date, our Group had applied for registration of the following trademarks in the PRC:

| Trademark   | Country of Application | Class            | Application No. | Date of Application | Status               |
|---|------------------------|------------------|-----------------|---------------------|----------------------|
|  | PRC                    | 7 <sup>(3)</sup> | 6849306         | 21 July 2008        | Pending registration |
|  | PRC                    | 7 <sup>(3)</sup> | 6849397         | 21 July 2008        | Pending registration |
| 菲斯特   | PRC                    | 7 <sup>(5)</sup> | 9634118         | 23 June 2011        | Pending registration |
|  | PRC                    | 7 <sup>(6)</sup> | 9861756         | 18 August 2011      | Pending registration |
|  | PRC                    | 7 <sup>(7)</sup> | 10063169        | 13 October 2011     | Pending registration |

*Notes:*

- (1) Class 7 covers machines and machine tools; assembly machines; automatic production line conveyors; machine coupling and transmission components (except for land vehicles); machine tools incorporating automatic controls; machine tools incorporating semi-automatic controls; machines for the assembly of semiconductor components; machines for the dosing of pulverized fuels; and machines for the manufacture of electric components.

Class 35 covers inventory management services; procurement services for others, (purchasing goods and services for other businesses); and project business management and administration.

Class 37 covers installation of machines; maintenance, installation and repair of industrial apparatus and instruments.

Class 42 covers design of industrial machinery; design of manufacturing apparatus; and industrial engineering design services.

- (2) Class 9 covers scientific, nautical, surveying, photographic, cinematographic, optical, weighing, measuring, signaling, checking (supervision), life-saving and teaching apparatus and instruments; apparatus and instruments for conducting, switching, transforming, accumulating, regulating or controlling electricity; apparatus for recording, transmission or reproduction of sound or images; magnetic data carriers, recording discs; automatic vending machines and mechanisms for coin-operated apparatus; cash registers, calculating machines, data processing equipment and computers; and fire-extinguishing apparatus.
- (3) Class 7 covers machines and machine tools, motors and engines (except for land vehicles), machine coupling and transmission components (except for land vehicles), agricultural implements other than hand-operated; and incubators.
- (4) Class 7 covers machines and machine tools; assembly machines; automatic production line conveyors; machine coupling and transmission components (except for land vehicles); machine tools incorporating automatic controls; machine tools incorporating semi-automatic controls; machines for the assembly of semiconductor components; machines for the dosing of pulverized fuels; and machines for the manufacture of electric components; motors and engines (except for land vehicles); agricultural implements other than hand-operated; and incubators.
- (5) Class 7 covers rotary kiln, conveyer, crusher and valve;
- (6) Class 7 covers feeders (machine components), fine finishing machines, machine tools, metal processing machines, grinding machines, holding devices for machine tools, automatic operators (mechanical arms), drilling machines, hobbing machines and boring machines;
- (7) Class 7 covers rotary kiln; conveyor; hoist; machine; mineral processing equipment; metal processing machinery; waste processor (machine); grinder; pneumatic transfer unit; release valve; and
- (8) Class 7 covers machines and machine tools; assembly machines; automatic production line conveyors; machine coupling and transmission components (except for land vehicles); machine tools incorporating automatic controls; machine tools incorporating semi-automatic controls; machines for the assembly of semiconductor components; machines for the dosing of pulverized fuels; and machines for the manufacture of electric components; motors and engines (except for land vehicles); agricultural implements other than hand-operated; and incubators.



## Patents

As at the Latest Practicable Date, our Group had the following registered patents:

| Patent description  | Type          | Owner of patent rights | Patent number     | Place of registration | Validity period                           |
|---|---------------|------------------------|-------------------|-----------------------|---|
| 四連桿機構連動水泥熟料冷卻機<br>(Four Joints Mechanism<br>(Clinker Cooler) Utility model)   | utility model | Tianjin FeiSiTe        | ZL200720098613.9  | PRC                   | 21 September 2007 to<br>20 September 2017 |
| 水泥熟料冷卻機風量控制閥<br>(Stepped Air Flow Function<br>(Clinker Cooler) Utility model) | utility model | Tianjin FeiSiTe        | ZL200720098612.4  | PRC                   | 21 September 2007 to<br>20 September 2017 |
| 水泥熟料冷卻機<br>(Grid plate of Clinker Cooler<br>Utility Model)                    | utility model | Tianjin FeiSiTe        | ZL200820075076.0  | PRC                   | 20 June 2008 to<br>19 June 2018           |
| 水泥熟料冷卻機風量控制閥<br>(Stepped Air Flow Function<br>(Clinker Cooler) Invention)     | invention     | Tianjin FeiSiTe        | ZL 200710059757.8 | PRC                   | 24 September 2007 to<br>23 September 2027 |
| 均勻出料氣動流量控制閥   | utility model | Tianjin FeiSiTe        | ZL200820075862.0  | PRC                   | 1 August 2008 to<br>31 July 2018          |
| 煤粉定量計量轉子秤   | utility model | Tianjin FeiSiTe        | ZL200820075861.6  | PRC                   | 1 August 2008 to<br>31 July 2018          |
| 高溫鎖風閥   | utility model | Tianjin FeiSiTe        | ZL200820075884.7  | PRC                   | 5 August 2008 to<br>4 August 2018         |

As at the Latest Practicable Date, our Group had registered the following domain name:

| Domain name         | Registered owner | Expiry date      |
|---------------------|------------------|------------------|
| www.cwgroup-int.com | CW Group Pte Ltd | 16 February 2013 |



**3. Information on the subsidiaries of our Group**

|    |                        |                                  |
|----|------------------------|----------------------------------|
| 1. | Name                   | SG (BVI) Limited                 |
|    | Date of Incorporation  | 18 May 2010                      |
|    | Place of Incorporation | BVI                              |
|    | Nature                 | Limited company                  |
|    | Authorized Capital     | US\$50,000                       |
|    | Issued Share Capital   | US\$100                          |
|    | Shareholders           | The Company (100%)               |
|    | Scope of Business      | Investment holdings              |
| 2. | Name                   | SG Tech                          |
|    | Date of Incorporation  | 6 August 2007                    |
|    | Place of Incorporation | Singapore                        |
|    | Nature                 | public company limited by shares |
|    | Issued Capital         | S\$36,635,811.48                 |
|    | Paid-up Capital        | S\$36,635,811.48                 |
|    | Shareholders           | SG (BVI) Limited (100%)          |
|    | Scope of Business      | Investment holdings              |

|    |                        |  |
|----|------------------------|--|
| 3. | Name                   | CWG  |
|    | Date of Incorporation  | 28 May 1996  |
|    | Place of Incorporation | Singapore  |
|    | Nature                 | Limited private company  |
|    | Issued Capital         | S\$9,651,621.88  |
|    | Paid-up Capital        | S\$9,651,621.88  |
|    | Shareholders           | SG Tech (100%)   |
|    | Scope of Business      | (1) Manufacture of dies, moulds, tools, jigs and fixtures<br>(2) Wholesale of industrial machinery and equipment |
| 4. | Name                   | CWI  |
|    | Date of Incorporation  | 20 April 2004  |
|    | Place of Incorporation | Singapore  |
|    | Nature                 | Limited exempt private company   |
|    | Issued Capital         | S\$10,000  |
|    | Paid-up Capital        | S\$10,000  |
|    | Shareholders           | CWG (100%)   |
|    | Scope of Business      | (1) Provision of infrastructure engineering services<br>(2) Investment holding                                   |

|    |                        |   |
|----|------------------------|---|
| 5. | Name                   | CW Tech   |
|    | Date of Incorporation  | 26 October 2004   |
|    | Place of Incorporation | Singapore   |
|    | Nature                 | Limited private company   |
|    | Issued Capital         | S\$6,351,624  |
|    | Paid-up Capital        | S\$6,351,624  |
|    | Shareholders           | CWG (100%)  |
|    | Scope of Business      | (1) Wholesale of industrial machinery and equipment<br><br>(2) Provision of technical testing and analysis services |
| 6. | Name                   | FNW International   |
|    | Date of Incorporation  | 8 June 2010   |
|    | Place of Incorporation | BVI   |
|    | Nature                 | Limited company   |
|    | Authorized Capital     | US\$50,000  |
|    | Issued Share Capital   | US\$100   |
|    | Shareholders           | CWG (100%)  |
|    | Scope of Business      | Investment holding  |

|    |                        |   |
|----|------------------------|---|
| 7. | Name                   | CWI (Shanghai)  |
|    | Date of Incorporation  | 18 May 2005   |
|    | Place of Incorporation | PRC   |
|    | Nature                 | Limited liability company (wholly foreign-owned)  |
|    | Registered Capital     | US\$2,500,000   |
|    | Paid-up Capital        | US\$1,000,000   |
|    | Term                   | 20 years commencing from 18 May 2005  |
|    | Shareholders           | CWI (100%)  |
|    | Scope of Business      | Production of semi-finished castings for automobiles and motorcycles, moulds for automobiles and motorcycles (including dies, plastic injection moulds, fixtures, etc.), fine blanking dies, precise cavity moulds, standard moulding tools, CNC machine tools with linkage of more than three axles, CNC systems and servo units, plastic injection moulding machines and mechanical spare parts; sale of self-produced products; wholesaling, import and export and commission agency (excluding auction) of the commodities in line with the aforesaid products and provision of relevant ancillary services (those of the aforesaid that require quota permit(s) and special administration shall be regulated in accordance with relevant PRC regulations) |
| 8. | Name                   | FNW   |
|    | Date of Incorporation  | 6 March 2007  |
|    | Place of Incorporation | Singapore   |
|    | Nature                 | Limited private company   |
|    | Issued Capital         | S\$100  |
|    | Paid-up Capital        | S\$100  |
|    | Shareholders           | CW Tech (100%)  |
|    | Scope of Business      | Investment holding  |

|     |                        |  |
|-----|------------------------|--|
| 9.  | Name                   | Tianjin FeiSiTe  |
|     | Date of Incorporation  | 14 August 2003   |
|     | Place of Incorporation | PRC  |
|     | Nature                 | Limited liability company (wholly foreign-owned)   |
|     | Registered Capital     | US\$3,650,500  |
|     | Paid-up Capital        | US\$3,650,500  |
|     | Term                   | 25 years commencing from 14 August 2003  |
|     | Shareholders           | Honor Well (100%)  |
|     | Scope of Business      | Development, production and sale of building materials, mining machinery and equipment, rotor scales and relevant technology consulting services |
| 10. | Name                   | CW Advanced Technologies   |
|     | Date of Incorporation  | 27 February 2003   |
|     | Place of Incorporation | Singapore  |
|     | Nature                 | Limited private company  |
|     | Issued Capital         | S\$450,000   |
|     | Paid-up Capital        | S\$450,000   |
|     | Shareholders           | CWG (100%)   |
|     | Scope of Business      | (1) Wholesale of industrial machinery and equipment<br>(2) Provision of industrial technical consultancy services                                |

|     |                        |   |
|-----|------------------------|---|
| 11. | Name                   | SD Trading (Shanghai)   |
|     | Date of Incorporation  | 26 February 2004  |
|     | Place of Incorporation | PRC   |
|     | Nature                 | Limited liability company (wholly foreign-owned)  |
|     | Registered Capital     | US\$140,000   |
|     | Paid-up Capital        | US\$140,000   |
|     | Term                   | From 26 February 2004 to 3 August 2037  |
|     | Shareholders           | CW Advanced Technologies  |
|     | Scope of Business      | Wholesaling, commission agency (excluding auction) and import and export of mechanical equipment, moulds, hardware commodities, automobile parts and components, electronic products, devices and meters, household commodities, household appliances, building materials (excluding steel and cement) and communication equipment and provision of relevant ancillary services (those of the aforesaid that require quota permit(s) and special administration shall be regulated in accordance with relevant PRC regulations) (those of the aforesaid that require administrative licensing shall be conducted with operating permit(s).) |
| 12. | Name                   | CW International (Malaysia)   |
|     | Date of Incorporation  | 25 July 2005  |
|     | Place of Incorporation | Malaysia  |
|     | Nature                 | Limited company   |
|     | Registered Capital     | RM510,002   |
|     | Paid-up Capital        | RM510,002   |
|     | Shareholders           | CWG (100%) (comprising 510,001 shares held by CWG and 1 share held by Mr. William Wong as bare trustee and nominee on trust for CWG)  |
|     | Scope of Business      | Provision of supply chain solutions and production line turn-key solutions. The operations of the Company have scaled-down and it currently has no operational activities.  |

|     |                        |   |
|-----|------------------------|---|
| 13. | Name                   | SG Technologies   |
|     | Date of Incorporation  | 26 October 2004   |
|     | Place of Incorporation | Singapore   |
|     | Nature                 | Limited private company   |
|     | Issued Capital         | S\$100,002  |
|     | Paid-up Capital        | S\$100,002  |
|     | Shareholders           | CWG (100%)  |
|     | Scope of Business      | (1) Wholesale of industrial machinery and equipment<br>(2) Provision of technical testing and analysis services |
| 14. | Name                   | Honor Well  |
|     | Date of Incorporation  | 18 January 2011   |
|     | Place of Incorporation | Hong Kong   |
|     | Nature                 | Limited liability company   |
|     | Authorized Capital     | HK\$10,000  |
|     | Paid-up Capital        | HK\$2   |
|     | Shareholders           | FNW International (100%)  |
|     | Scope of Business      | Investment holding  |

**C. FURTHER INFORMATION ABOUT SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND EXPERTS**

**1. Disclosure of interests**

- (a) Immediately following the completion of the Capitalization Issue and the Global Offering but taking no account of our Shares to be issued pursuant to options which may be granted under the Share Option Scheme, the interests and short positions of our Directors or chief executive of our Company in our Shares, underlying Shares and debentures of our Company or any of our associated corporations (within the meaning of Part XV of the SFO) which, once our Shares are listed on the Stock Exchange, will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests which they are taken or deemed to have under such provisions of the SFO) or will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, to be notified to our Company and the Stock Exchange, in each case once our Shares are listed on the Stock Exchange, will be as follows:

Long position in our Shares

| Name of Director                         | Capacity/Nature                    | No. of Shares held | Approximate percentage of interest |
|--|------------------------------------|--------------------|------------------------------------|
| 1. Mr. William Wong<br>( <i>Note 1</i> ) | Interest in controlled corporation | 149,400,000        | 24.24%                             |
|  | Beneficial owner                   | 23,100,000         | 3.74%                              |
| 2. Mr. Sam Wong                          | Beneficial owner                   | 22,500,000         | 3.65%                              |
|  | Indirect interest                  | 29,880,000         | 4.85%                              |

*Note:*

- WMS Holding owns 149,400,000 Shares. WMS Holding is owned as to 80% and 20% by Mr. William Wong and Mr. Sam Wong respectively. Mr. William Wong is deemed to be interested in the Shares held by WMS Holding under the SFO.
- (b) So far as is known to our Directors and save as disclosed in this prospectus and taking no account of any Shares which may be taken up under the Global Offering, and Shares to be issued pursuant to options which may be granted under the Share Option Scheme, the following persons (not being a Director or chief executive of our Company) will, immediately following the completion of the Global Offering, and the Capitalization Issue have interests or short positions in Shares or underlying



Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who are, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

| <b>Name</b>  | <b>Nature of Interest</b> | <b>No. of Shares held</b> | <b>Approximate percentage of shareholding</b> |
|--|---------------------------|---------------------------|---|
| 1. WMS Holding   | Beneficial owner          | 149,400,000               | 24.24%  |
| 2. Lou Swee Lan ( <i>Note 1</i> )                            | Family                    | 172,500,000               | 27.98%  |
| 3. Jin Rao ( <i>Note 2</i> )                                 | Family                    | 52,380,000                | 8.50%   |
| 4. Mr. Fu  | Beneficial owner          | 107,052,400               | 17.37%  |
| 5. Wang Shuhua ( <i>Note 3</i> )                             | Family                    | 107,052,400               | 17.37%  |
| 6. Phillip Ventures Enterprise Fund 2 Ltd. ( <i>Note 4</i> ) | Beneficial owner          | 44,378,000                | 7.20%   |

*Note:*

1. Lou Swee Lan is the spouse of Mr. William Wong. Lou Swee Lan is deemed to be interested in Shares held by Mr. William Wong under the SFO.
2. Jin Rao is the spouse of Mr. Sam Wong. Jin Rao is deemed to be interested in Shares held by Mr. Sam Wong under the SFO.
3. Wang Shuhua is the spouse of Mr. Fu. Wang Shuhua is deemed to be interested in Shares held by Mr. Fu under the SFO.
4. Phillip Ventures Enterprise Fund 2 Ltd. ("PVEF2") is a company incorporated in Singapore. It is a private equity investment fund managed by Phillip Private Equity Pte Ltd ("PPE") on a full discretionary basis. PPE holds the only issued ordinary share of PVEF2 and the preference shares in the capital of PVEF2 are held mainly by institutional investors and high net worth individuals. The ultimate holding company of PPE is Phillip Investment Corporation Pte. Ltd ("PIC") and PIC is owned by Lim Hua Min and his brothers. PPE, PIC and Lim Hua Min are all deemed interested in the shares of CW Group Holdings Limited held by PVEF2.

## **2. Particulars of service agreements**

Save as disclosed in this prospectus, no Director has entered into any service agreement with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

**3. Directors' remuneration**

- (a) The aggregate amount of remuneration paid to our Directors by our Group in respect of the three years ended 31 December 2008, 2009 and 2010 and the nine months ended September 2011 were approximately HK\$3,120,000, HK\$3,031,000, HK\$3,216,000 and HK\$2,761,000, respectively.
- (b) Under the arrangements currently in force, the aggregate emoluments (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to our Directors for the year ending 31 December 2012 will be approximately S\$0.7 million.
- (c) Under the arrangements currently proposed, conditional upon the Listing, the basic annual remuneration (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to each of our Directors will be as follows:

|  |         |
|--|---------|
| <b>Executive Directors</b>                 | S\$     |
| Mr. William Wong                           | 338,000 |
| Mr. Lim Chwee Heng                         | 234,000 |
| Mr. Sam Wong                               | 195,000 |
| <b>Independent non-executive Directors</b> | S\$     |
| Mr. Kuan Cheng Tuck                        | 60,000  |
| Mr. Ong Su Aun, Jeffrey                    | 40,000  |
| Mr. Chan Hon Chung Johnny                  | 40,000  |

**4. Fees or commission received**

Save as disclosed in the paragraph headed "Commission" in the section headed "Underwriting" of this prospectus, none of our Directors or the experts named in the paragraph headed "Consents of experts" in this Appendix had received any agency fee or commissions from our Group within the two years preceding the date of this prospectus.

**5. Related party transactions**

Details of the related party transactions are set out under note 36 to the accountants' reports set out in Appendix I to this prospectus.

**6. Disclaimers**

Save as disclosed in this prospectus:

- (a) there are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)) between our Directors and any member of our Group;
- (b) none of our Directors or the experts named in the paragraph headed “Consents of experts” in this Appendix has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (c) none of our Directors or the experts named in the paragraph headed “Consents of experts” in this appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (d) taking no account of Shares which may be pursuant to options which may be granted under our Share Option Scheme, none of our Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Global Offering, have any interest in Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group; and
- (e) none of our Directors or chief executive of our Company has any interest or short position in our Shares, underlying Shares or debentures of our Company or any of our associated corporations (within the meaning of the SFO) which, once our Shares are listed on the Stock Exchange, will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which he will be taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listing Companies in the Listing Rules, to be notified to our Company and the Stock Exchange; and
- (f) so far as is known to our Directors, none of our Directors, their respective associates (as defined under the Listing Rules) or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Group.

**D. SHARE OPTION SCHEME**

The following is a summary of the principal terms of the Share Option Scheme (the “Scheme”) conditionally approved by a written resolution of our Shareholders passed on 14 March 2012 and adopted by a resolution of the Board on 14 March 2012 (the “Adoption Date”). The terms of the Share Option Scheme are in accordance with the provisions of chapter 17 of the Listing Rules.

For the purpose of this section, unless the context otherwise requires:

“Date of Grant” means date of grant of the Option in accordance with the Scheme;

“Grantee” means any Eligible Person (as defined below) who accepts an offer of grant of any Option in accordance with the terms of the Scheme of (where the context so permits) a person who is entitled, in accordance with the laws of succession, to any Option in consequence of the death of the original Grantee;

“Option” means a right to subscribe for Shares granted pursuant to the Scheme;

“Option Period” means the period of time where the Grantee may exercise the Option, which period shall not be more than 10 years from the Date of Grant;

“Shares” means shares of HK\$0.01 each in the capital of our Company (or of such other nominal amount as shall result from a sub-division, consolidation, reclassification or reconstruction of the share capital of our Company from time to time);

**(a) Who may join**

The Directors may at their absolute discretion grant Options to all Directors (whether executive or non-executive and whether independent or not), any employee (whether full-time or part-time), any consultant or adviser of or to our Company or our Group (whether on an employment or contractual or honorary basis and whether paid or unpaid), who, in the absolute opinion of the Board, have contributed to our Company or our Group and each of the persons mentioned above is referred to as an “Eligible Person”.

**(b) Purpose of the Scheme**

The purpose of the Scheme is to provide person(s) and parties working for the interests of our Group with an opportunity to obtain an equity interest in our Company, thus linking their interests with the interests of our Group and thereby providing them with an incentive to work better for the interests of our Group.

**(c) Conditions**

The Scheme shall take effect subject to and is conditional upon:

- (i) the passing of the necessary resolution to approve and adopt the Scheme by the Shareholders of our Company in a general meeting;

- (ii) the Listing Committee granting approval of the listing of, and permission to deal in, any Shares which may be issued pursuant to the exercise of Options granted under the Scheme; and
- (iii) the commencement of dealings in the Shares on the Stock Exchange.

**(d) Duration and administration**

The Scheme shall continue in force for the period commencing from the Adoption Date and expiring at the close of business on the tenth anniversary of the Adoption Date (the "Scheme Period"), after which period no further Options shall be granted but the provisions of the Scheme shall remain in full force and effect in all other respects in respect of Options remaining outstanding and exercisable on the expiry of the Scheme Period.

The Scheme shall be subject to the administration of the Board whose decision (save as otherwise provided in the Scheme) shall be final and binding on all parties.

**(e) Grant of Options**

An offer of the grant of an Option shall be made to an Eligible Person in writing in such form as the Board may from time to time determine specifying, inter alia, the maximum number of Shares in respect of which such offer is made and requiring the Eligible Person to undertake to hold the Option on the terms of which it is to be granted and to be bound by the provisions of the Scheme and shall remain open for acceptance by the Eligible Person to whom the offer is made for a period of 28 days (or such other period as the Board may determine) from the date upon which the offer is issued provided that no such offer shall be open for acceptance after the expiry of the Scheme Period or after the Scheme has been terminated in accordance with the terms of the Scheme.

On and subject to the terms of the Scheme, the Board shall be entitled at any time during the Scheme Period to offer to grant an Option to any Eligible Person as the Board may at its absolute discretion select, and subject to such conditions and restrictions as the Board may think fit.

An offer shall be deemed to have been accepted when the duplicate letter comprising acceptance of the Option, duly signed by the Eligible Person, together with the remittance of HK\$1 in favor of our Company, irrespective of the number of Shares in respect of which the Option is accepted, as consideration for the grant is received by our Company.

The Date of Grant shall be the date on which the offer relating to such Option is duly approved by the Board in accordance with the Scheme.

**(f) Price sensitive information**

No offer of Options shall be made after a price sensitive development has occurred or a price sensitive matter has been the subject of a decision, until such price sensitive information has been published by our Company. In particular, during the period commencing one month immediately preceding the earlier of (i) the date of the Board meeting for the approval of our Company's interim or annual results, and (ii) the deadline of our Company to publish its interim

or annual results announcement under our Company's listing agreement, and ending on the date of the results announcement, no Options may be granted. The period during which no Option may be granted will cover any period of delay in the publication of a results announcement.

**(g) Grant of Options to connected persons**

Where a grant of Option(s) to a connected person (as defined in the Listing Rules) of our Company under the Scheme must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the relevant Grantee).

Where any Options granted to a substantial shareholder (as defined in the Listing Rules) or an independent non-executive Director of our Company or its associates or any of their respective associates would result in the number and value of Shares issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled and outstanding but excluding Options which have lapsed) to such person in the 12-month period up to and including the date of such grant (i) exceeding in aggregate over 0.1% of the Shares in issue; and (ii) exceeding an aggregate value, (based on the closing price of the Shares on the Stock Exchange at the Date of Grant) in excess of HK\$5 million, such further grant of Options must be approved by the shareholders by taking of a poll in a general meeting. Our Company must send a circular to the Shareholders. All connected persons (as defined in the Listing Rules) of our Company must abstain from voting (except that any connected person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular) at the general meeting. The circular must contain: (i) detail of the number and terms (including the Subscription Price (as defined below) of the Options to be granted to each Eligible Person, which must be fixed before the general meeting concerned; (ii) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is the relevant Grantee) to the independent Shareholders as to voting; and (iii) the information required under the relevant provisions of Chapter 17 of the Listing Rules.

**(h) Subscription price**

The subscription price in respect of any particular Option shall be such price as the Board may at its absolute discretion determine at the time of the grant of the relevant Option (and shall be stated in the letter containing the offer of the grant of the Option (the "Subscription Price")), but in any case the Subscription Price must be at least the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the Date of Grant, which must be a business day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five (5) business days immediately preceding the Date of Grant; and (iii) the nominal value of the Shares. For the purpose of calculating the Subscription Price where our Company has been listed for less than five (5) business days, the issue price of the Shares at the time of Listing shall be used as the closing price of any business day falling within the period before Listing.

**(i) Rights are personal to Grantee**

An Option shall be personal to the Grantee and shall not be transferable or assignable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favor or any third party over or in relation to any Option or attempt to do so.

**(j) Exercise of Options**

Subject to any condition or restriction in connection with the exercise of the Option which may be imposed by the Board when granting the Option and other provisions of the Schemes the Option may be exercised by the Grantee (or his legal personal representative) at any time during the Option Period, provided that paragraph (k), (l) or (m) below has been satisfied.

**(k) Right on ceasing employment**

In the event that the Grantee ceases to be an employee of our Group due to resignation, retirement, expiry or termination of the Grantee's employment contract or for any reason other than his death or the termination of his employment on one or more of the grounds specified in paragraph (r)(vii) below, the Grantee may exercise the Option up to his entitlement as calculated at the date of cessation (to the extent not already exercised) within the period of one (1) month following the date of such cessation. The date of cessation of employment shall be the last actual day on which the grantee was physically at work with our Company or the relevant subsidiary of our Company whether salary is paid in lieu of notice or not.

**(l) Rights on ceasing appointment**

In the event that the Grantee ceases to be a consultant or adviser of or to our Company or any of its subsidiaries (whether on an employment or contractual or honorary basis and whether paid or unpaid) on grounds other than one or more of those specified in paragraph (r)(viii) below, the Grantee may exercise the Option up to his entitlement as calculated at the date of cessation (to the extent not already exercised) within the period of one (1) month following the date of such cessation. The date of cessation shall be the day on which his appointment was terminated.

**(m) Rights on death**

In the event that the Grantee ceases to be an Eligible Person by reason of death and none of the events which would be grounds for termination of his employment or appointment under paragraph (r)(vii) or (r)(viii) arises (as the case may be), the legal personal representative(s) of the Grantee shall be entitled within a period of 12 months from the date of death (or such longer period as the Board may determine) to exercise the Options in full (to the extent not already exercised) up to the entitlement of such Grantee as of the date of death.

**(n) Rights on a compromise or amalgamation**

In the event of a compromise or amalgamation, other than a scheme of arrangement contemplated under the Scheme, between our Company and its members or creditors being proposed in connection with any scheme for the reconstruction or amalgamation of our Company, our Company shall give notice thereof to all Grantees on the same day as it gives notice of the meeting to its members or creditors to consider such a scheme or arrangement and the Grantee (or his personal representatives) may, be notice in writing to our Company, accompanied by the remittance for the Subscription Price in respect of the relevant Option (such notice must be received by our Company not later than two Business Days prior to the proposed meeting), exercise the Option (to the extent not already exercised) either to its full extent or to the extent specified in the relevant notice. Thereafter, our Company shall, as soon as possible and in any event no later than the business day immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the Grantee, which falls to be issued on such exercise, credited as fully paid, and register the Grantee as holder thereof.

**(o) Rights on winding-up**

In the event a notice is given by our Company to our Shareholders to convene a Shareholders' meeting to consider and, if thought fit, approve a resolution to voluntarily wind-up our Company, our Company shall forthwith give notice thereof to all Grantees and any Grantee (or his legal personal representative) may at any time thereafter (but before such time as shall be notified by us) exercise the Option either to its full extent or to the extent notified by us, and we shall as soon as possible and in any event no later than one(1) Business Day immediately prior to the date of the proposed Shareholders' meeting, allot, issue and register in the name of the Grantee such number of Shares to the Grantee which fall to be issued on such exercise.

**(p) Ranking of Shares**

The Shares to be allotted and issued upon the exercise of an Option will be subject to the Articles of Association in force at that time including with respect to voting and transfer rights and rights arising on a liquidation of our Company and will rank *pari passu* in all respects with the fully paid Shares in issue as of the date of allotment and thereafter the holders thereof will be entitled to participate in all dividends or other distributions paid or made on or after the date of allotment other than any dividends or other distributions previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the date of allotment.

**(q) Performance target**

The Grantee will not be required to achieve, meet or exceed any performance targets before that particular Grantee can exercise the Option(s) granted, except those otherwise imposed by the Board pursuant to paragraph (e) above and/or stated in the offer of grant of the Option.



**(r) Lapse of Options**

An Option shall lapse automatically (to the extent not already exercised) on the earliest of:– (i) the expiry of the Option Period; (ii) the expiry of any of the periods referred to in paragraphs (k), (l), (m) and (o) above; (iii) subject to a court of competent jurisdiction not making an order prohibiting the offeror from acquiring the remaining Shares in the offer; (iv) subject to the scheme of arrangement becoming effective; (v) the date of commencement of the winding-up of our Company; (vi) the date when the proposed compromise or amalgamation becomes effective; (vii) the date on which the Grantee ceases to be an Eligible Person by reason of summary dismissal for misconduct or other breach of the terms of his employment or other contract constituting him as an Eligible Person, or appears either to be unable to pay or to have no reasonable prospect of being able to pay his debts or has become insolvent or has made any arrangement or composition with his creditors generally or has been convicted of any criminal offence involving his integrity or honesty or (if so determined by the Board) on any other ground on which an employer would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the Grantee’s service contract with our Company or the relevant subsidiary or the relevant associated company. A resolution of the Board or the board of directors of the relevant subsidiary to the effect that the employment or other relevant contract of a Grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive and binding on the Grantee; (viii) the date on which the Grantee ceases to be an Eligible Person by reason of the termination of his relationship (whether by appointment or otherwise) with our Company or its subsidiaries as a consultant or adviser on any one or more of the grounds that he has become unable to pay his debts or has become otherwise insolvent or has made any arrangement or composition with his creditors generally, or has been convicted or any criminal offence involving his integrity or honesty or (if so determined by the Board) has committed any act which is prejudicial to or not in the interests of our Company or its subsidiaries. A resolution of the Board or the board of directors of the relevant subsidiary or the relevant associated company to the effect that the relationship with the Grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive and binding on the Grantee; or (ix) the date on which the Grantee has committed a breach or paragraph (i) above.

**(s) Maximum number of Shares available for subscription**

The maximum aggregate number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Scheme and any other schemes of our Company must not exceed in aggregate 30% of the Shares of our Company in issue from time to time (the “Overall Scheme Limit”). No Option may be granted under any schemes of our Company (or its subsidiaries) if such grant will result in the Overall Scheme Limit being exceeded. The total number of Shares which may be issued upon exercise of all Option to be granted under the Scheme and any other schemes must not in aggregate exceed 10% of the Shares of our Company (or the subsidiary) in issue immediately following the completion of the Global Offering (excluding the exercise of Over-allotment Option) and the Capitalization Issue, being 61,641,700 Shares (the “Scheme Mandate Limit”) for this purpose. Option lapsed in accordance with the terms of the Scheme shall not be counted for the purpose of calculating the Scheme Mandate Limit.

Subject to the Overall Scheme Limit, our Company may seek approval from its shareholders in general meeting for “refreshing” the “Scheme Mandate Limit”. However, the total number of Shares which may be issued upon exercise of all Options to be granted under all of the schemes of our Company under the limit as “refreshed” must not exceed 10% of the Shares in issue as of the date of approval by the shareholders of the renewed limited (the “Refreshed Scheme Mandate Limit”); Option previously granted under any existing schemes (including those outstanding, cancelled or lapsed in accordance with the Scheme or exercised Options) shall not be counted for the purpose of calculating the Refreshed Scheme Mandate Limit. Our Company must send a circular to its shareholders containing the information required under the relevant provisions of Chapter 17 of the Listing Rules.

Subject to the Overall Scheme Limit, our Company may seek separate approval from its shareholders in a general meeting for granting Options to subscribe for Shares beyond the Scheme Mandate Limit or the Refreshed Scheme Mandate Limit (as the case may be) provided that the Option in excess of the Scheme Mandate Limit or the Refreshed Scheme Mandate Limit are granted only to Eligible Persons specifically identified by our Company before such approval is sought and our Company must send a circular to its shareholders containing the information specified in the relevant provisions of the Listing Rules. Unless approved by shareholders in general meeting at which the relevant Eligible Person and his associates abstain from voting in the manner prescribed by the relevant provisions of Chapter 17 of the Listing Rules, the total number of Shares issued and to be issued upon exercise of the Options granted to such Eligible Person (including exercised, cancelled and outstanding Options) in any 12-month period must not exceed 1% of the Shares in issue (the “Individual Limit”) at such time. With respect to any further grant of Options to an Eligible Person exceeding in aggregate the Individual Limit, our Company must send a circular to its Shareholders and the circular must disclose the identity of the Eligible Person, the number and terms of the Options to be granted (and Options previously granted to such Eligible Person), and the information required under the relevant provisions of Chapter 17 of the Listing Rules. The number and terms (including the Subscription Price) of Options to be granted to such Eligible Person must be fixed before the general meeting at which the same are approved, and the date of the Board meeting for proposing such further grant should be taken as the Date of Grant for the purpose of calculating the Subscription Price.

**(t) Cancellation of Options**

Any cancellation of Options granted but not exercised must be approved by the Board. New Option may be issued to a Grantee in place of his cancelled Option only if there are available unissued Options (excluding the cancelled Options) within the Scheme Mandate Limit or the Refreshed Scheme Mandate Limit or such enlarged limit that may be approved by the shareholders of our Company in accordance with paragraph (s) above.

**(u) Reorganization of capital structure**

In the event of any alteration in the capital structure of our Company whilst any Option remains exercisable, whether by way of capitalization issue, rights issue, subdivision, consolidation, or reduction of the share capital of our Company or otherwise howsoever in accordance with legal requirements and requirements of the Stock Exchange excluding any alteration in the capital structure of our Company as a result of an issue of Shares as consideration in respect of a transaction to which our Company is a party, such corresponding alterations (if any) shall be made to:

- (i) the number or nominal amount of Shares subject to the Option so far as unexercised; and/or
- (ii) the Subscription Price; and/or
- (iii) the method of exercise of the Option (if applicable),

as an independent financial adviser or the auditors for the time being of our Company shall at the request of the Board certify in writing to the Directors, either generally or as regards any particular Grantee, to be in their opinion fair and reasonable and that any such alterations shall satisfy the requirements set out in the note to Rule 17.03(13) of the Listing Rules and shall give a Grantee the same proportion of the issued share capital of our Company as that to which the Grantee was previously entitled (as interpreted in accordance with the Supplementary Guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to share option schemes and/or any future guidance or interpretation of the Listing Rules issued by the Stock Exchange from time to time), provided that no such alterations shall be made the effect of which would be to enable a Share to be issued at less than its nominal value. The capacity of the independent financial adviser or the auditors for the time being of our Company in this paragraph is that of experts and not of arbitrators and their certification shall, in the absence of manifest error, be final and binding on our Company and the Grantees. The costs of the independent financial adviser or the auditors for the time being of our Company shall be borne by our Company.

**(v) Alteration of the Scheme**

Except with the prior sanction of our Company in general meeting (with the Eligible Persons and their associates abstaining from voting), the Board may not amend:

- (i) any of the provisions of the Scheme relating to matters contained in Rule 17.03 of the Listing Rules to the advantage of the Eligible Persons or Grantees;
- (ii) any terms and conditions of the Scheme which are of a material nature or any terms of the Options granted except where such alterations take effect automatically under the existing terms of the Scheme;
- (iii) any provisions on the authority of the Board in relation to any alteration to the terms of the Scheme.

**(w) Termination of the Scheme**

Our Company, by resolution in general meeting, or the Board may at any time terminate the operation of the Scheme and in such event no further Options will be offered but in all other respects the provisions of the Scheme shall remain in full force and effect. Options complying with the provisions of Chapter 17 of the Listing Rules which are granted during the Scheme Period and which remain unexpired immediately prior to the termination of the operation of the Scheme shall, subject to the terms of the Scheme, continue to be valid and exercisable thereafter.

As of the Latest Practicable Date, no option had been granted or agreed to be granted under the Share Option Scheme. An application has been made to the Listing Committee of the Stock Exchange for the granting of the listing of, and permission to deal in, the 61,641,700 Shares which may fall to be issued pursuant to the exercise of the options granted under the Share Option Scheme.

**E. OTHER INFORMATION****1. (A) Tax indemnity**

WMS Holding, Mr. William Wong and Mr. Sam Wong (“the Indemnifiers”) have pursuant to the deed of indemnity (the “Deed of Indemnity”) referred to in item kk of the paragraph headed “Summary of material contracts” of this Appendix given indemnities against any depletion in or reduction in value of the respective assets of each member of the Group as a consequence of, and in respect of any amount which any member of the Group may hereafter become liable to pay, being:–

- (a) the amount of any and all Taxation (as defined in the Deed of Indemnity) falling on any member of the Group resulting from or by reference to any income, profits or gains earned, accrued or received (or deemed to be so earned, accrued or received) on or before the date on which the Deed of Indemnity becomes to occur on or before such date whether alone or in conjunction with any other event, act, omission or circumstance against or attributable to any other person firm or company; and
- (b) all reasonable costs (including all legal costs on a full indemnity basis), expenses or other liabilities which any member of the Group may incur in connection with:–
  - (i) the investigation, assessment or the contesting of any claim;
  - (ii) the settlement of any claim under the Deed of Indemnity;
  - (iii) any legal proceedings in which any member of the Group claims under or in respect of the Deed of Indemnity and in which judgment is given for any member of the Group, or
  - (iv) the enforcement of any such settlement or judgment.

The above tax indemnity in the deed shall not apply in the following circumstances:

- (a) to the extent that provision has been made for such Taxation in the audited accounts for the Company or any member of the Group; or
- (b) to the extent that the liability for such Taxation would not have arisen but for some act or omission of, or transaction voluntarily effected by, any member of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) other than any such act, omission or transaction carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets after the date of the Deed of Indemnity; or
- (c) to the extent that any provisions or reserve made for such Taxation in the audited accounts of the Group or any member of the Group up to 30 September 2011 which is finally established to be an over-provision or an excessive reserve provided that the amount of any such provision or reserve applied to reduce the Indemnifiers' liability in respect of Taxation shall not be available in respect of any such liability arising thereafter; or
- (d) to the extent that such Taxation arises or is incurred as a consequence of any change in the law having retrospective effect coming into force after the date of the Deed of Indemnity or to the extent that such Taxation arises or is increased by an increase in rates of Taxation after the date of the Deed of Indemnity with retrospective effect.

**(B) Property indemnities**

The two leases in respect of the properties leased by the Group and located at Units 101 and 102, Block 17, No.260, Liancao Road, Minhang District, Shanghai, PRC have been obtained by allocation (劃撥) but no approval has been obtained from the relevant PRC authorities for such leases by the lessor. The leases in respect of properties leased by the Group and located at No. 172, Lane 38, Chengzhong Road, Zhujing Town, Shanghai, PRC have not been registered with the relevant PRC governmental authorities (the "Defect").

The Indemnifiers, *inter alia*, have pursuant to the Deed of Indemnity given indemnities against any losses, damages, penalties and liabilities suffered and all costs and expenses incurred by the Group as a result of or otherwise arising from, whether directly or indirectly, any of the Defects, including, without limitation:

- (a) all charges and penalties imposed by the relevant authority in the PRC;
- (b) all loss of profits and other consequential damages suffered by the Group;
- (c) all relocation costs (including, without limitation, removal costs, agency fees, and legal fees, taxes and duties in respect of the alternative premises entered into by the Group) and other expenses incurred for or in connection with the relocation and installation of the facilities of the; Group; and
- (d) any excess of the rental or other payment payable by the Group for the alternative premises over the rental previously paid by the Group in respect of the respective buildings in which the five premises are located (as the case may be).

**(C) Other indemnities**

The Indemnifiers have further given indemnities against any losses, damages, penalties and liabilities suffered and all costs and expenses incurred by the Group, including, without limitation, all charges and penalties imposed by the relevant authority in the PRC and all loss of profits and other consequential damages suffered by the Group, as a result of or otherwise arising from, whether directly or indirectly, any of the following matters:–

- (a) the late payment of the registered capital of KIWA-CW (Shanghai) by KIWA-CW; (ii) Tianjin FeiSiTe by Fuyang; and (iii) CWI (Shanghai) by CWI, all on or before the Deed of Indemnity becomes unconditional;
- (b) the trust arrangements between CWG, 朱海靖 (“Ms. Zhu”) and 林莉 (“Ms. Lin”) under the deed of declaration trust dated 18 February 2004 whereby Ms. Zhu and Ms. Lin agreed to hold the investment in the registered capital of SD Trading (Shanghai) as trustees for and on behalf of CWG;
- (c) failure to make housing provident fund registration for SD Trading (Shanghai) and Tianjin FeiSiTe in a timely manner; and
- (d) failure to register social security funds and fully pay the social security funds of Tianjin FeiSiTe in a timely manner.

The Directors have been advised that no material liability for estate duty under the laws of Cayman Islands, Singapore, Malaysia or the PRC is likely to fall on the Group.

**(D) Indemnity in relation to transfer of Fuyang International**

Mr. Fu has, pursuant to a sale and purchase agreement dated 20 February 2012 in relation to the transfer of 100% equity interest in Fuyang International from FNW International to Mr. Fu (“Fuyang Sale and Purchase Agreement”), given indemnities against any and all losses, damages, liabilities, claims, proceedings, costs and expenses (including the fees, disbursements and other charges of counsel reasonably incurred by the FNW International and/or its associates (as defined under the Listing Rules) (each an “Indemnified Party”) in any action involving the Indemnified Party, in connection with any Event(s) of Indemnification and Taxation Claims as defined below (collectively, as the “Losses”).

“Event of Indemnification” shall include (with limitation) any untruth, inaccuracy or breach of any representations, warranties, undertakings or provisions contained in the Fuyang Sale and Purchase Agreement at, before or after the completion thereof or any facts or circumstances constituting such untruth, inaccuracy or breach, and shall include any Taxation Claims.

“Taxation Claims” shall include (without limitation) any assessment, claim, notice, demand, letter, direction, counterclaim or other documents issued or action taken by or on behalf of any fiscal, revenue or other authority or official anywhere in the world whereby the Vendor is liable or is sought to be made liable to make any payment of any form of Taxation (as defined in the Fuyang Sale and Purchase Agreement) (or otherwise is denied or sought to be denied any relief from Taxation) in connection with (i) the Company and its previous and/or present holding of or otherwise as an equity holder of Tianjin FeiSiTe; (ii) Tianjin FeiSiTe; and (iii) the Fuyang Sale and Purchase Agreement and the sale and purchase agreement dated 20 February 2012 for the transfer of 100% equity interest in Tianjin FeiSiTe from the Company to Honor Well and any transactions contemplated therein.

**2. Waivers and exemption**

The SFC has granted a certificate of exemption under section 342A of the Companies Ordinance from strict compliance with paragraphs 27 and 31 of the Third Schedule to the Companies Ordinance in relation to the inclusion of the accountants’ report for the full financial year ended 31 December 2011 in this prospectus on 16 March 2012. The Stock Exchange has also granted to the Company a waiver from strict compliance with Rule 4.04(1) of the Listing Rules on condition that:

- (i) the Company lists on the Stock Exchange by 31 March 2012;
- (ii) the Company obtains a certificate of exemption from the SFC from similar requirements under paragraphs 27 and 31 of the Third Schedule to the Companies Ordinance; and



- (iii) if the prospectus is to be issued on or before 29 February 2012, the Company will comply with the conditions including: (a) inclusion of a profit estimate for the year ended 31 December 2011 which complies with Rules 11.17 to 11.19 of the Listing Rules in this prospectus; and (b) inclusion in this prospectus a statement made by the Directors in this prospectus that there has been no material adverse change to the financial and trading positions or prospect of the Group with specific reference to the trading results from 30 September 2011 to 31 December 2011; or
- (iv) if this prospectus is to be issued in March 2012, the Company agrees to comply with the conditions including the inclusion in the prospectus the financial information for the year ended 31 December 2011 and a commentary on the results for the year, and that the financial information to be included in the prospectus would (a) follow the same content requirements as for a preliminary results announcements under Rule 13.49 of the Listing Rules; and (b) be agreed with the reporting accountants of the Company following the procedures to be performed under Practice Note 730 “Guidance for Auditors Regarding Preliminary Announcements of Annual Results” issued by the Hong Kong Institute of Certified Public Accountants.

The Stock Exchange has also granted to our Company a waiver from strict compliance with Rule 8.12 of the Listing Rules in respect of management presence in Hong Kong.

The Stock Exchange has also granted to our Company a waiver from strict compliance with Rule 13.49 of the Listing Rules in respect of the publication of annual results.

Details of such waivers given by the Hong Kong Stock Exchange and the exemption given by the SFC are set out in the section headed “Waivers and Exemption from Strict Compliance with the Listing Rules and the Companies Ordinance” in this prospectus.

### **3. Litigation**

As at the Latest Practicable Date, no member of our Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to our Directors to be pending or threatened against any member of our Group.

### **4. Sole Sponsor**

The Sole Sponsor has, on behalf of our Company, made an application to the Listing Committee for the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned herein and our Shares falling to be issued pursuant to the exercise of any options granted under the Share Option Scheme.

The Sole Sponsor has confirmed to the Stock Exchange that it satisfies the independence test as stipulated under Rule 3A.07 of the Listing Rules.



**5. Preliminary expenses**

The preliminary expenses of our Company are estimated to be approximately HK\$44,421 and are payable by our Company.

**6. Promoter**

There is no promoter of our Company.

**7. Qualifications of experts**

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

| <b>Name</b>                          | <b>Qualifications</b>   |
|--------------------------------------|---|
| Guotai Junan Capital Limited         | Licensed corporation under the SFO to engage in type 6 (advising on corporate finance) regulated activity |
| Ernst & Young                        | Certified Public Accountants  |
| Hills & Co.                          | Registered law firm in the PRC  |
| RHTLaw Taylor Wessing LLP            | Registered law firm in Singapore  |
| The Law Office of KK Chong & Company | Registered law firm in Malaysia   |
| Appleby                              | Cayman Islands attorneys-at-law   |
| DTZ Debenham Tie Leung Limited       | Independent property valuer   |

**8. Consents of experts**

Each of Guotai Junan Capital Limited, Ernst & Young, Hills & Co., RHTLaw Taylor Wessing LLP, The Law Office of KK Chong & Company, Appleby and DTZ Debenham Tie Leung Limited has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its reports and/or letter and/or opinion and/or valuation certificate and/or summary thereof (as the case may be) and/or reference to its name included herein in the form and context in which it is respectively included.

**9. Binding effect**

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

**10. Taxation of holders of Shares***(a) Hong Kong*

Dealings in Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty.

*(b) Cayman Islands*

There is no stamp duty payable in the Cayman Islands on transfer of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

*(c) Consultation with professional advisers*

Intending holders of our Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in our Shares. It is emphasized that none of our Company, our Directors or their parties involved in the Global Offering accepts responsibility for any tax effect on, or liabilities of holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares.

**11. No material adverse change**

Our Directors confirm that there has not been any material adverse change in the financial trading position or prospects of our Group since 30 September 2011 (being the date to which the latest audited combined financial statements of our Group were made up).

**12. Miscellaneous**

- (a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:
  - (i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration than cash; and
  - (ii) no discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of our Company or any of our subsidiaries and no commission has been paid or is payable in connection the issue or sale of any capital of our Company or any of our subsidiaries; and

- (iii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.
- (b) Save as disclosed in this prospectus, neither our Company nor any of our subsidiaries has issued or agreed to issue any founders shares, management shares, deferred shares or any debentures.
- (c) Save in connection with the Underwriting Agreements, none of the parties listed in the paragraph headed “Consents of experts” in this Appendix:
  - (i) is interested legally or beneficially in any securities of our Company or any of our subsidiaries; or
  - (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of our Company or any of our subsidiaries.
- (d) The branch register of members of our Company will be maintained in Hong Kong by Tricor Investor Services Limited. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Company’s share register in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to ensure our Shares to be admitted into CCASS for clearing and settlement.
- (e) There has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 12 months immediately preceding the date of this prospectus.
- (f) No company within our Group is presently listed on any stock exchange or traded on any trading system.
- (g) We have no outstanding convertible debt securities.
- (h) Our Directors have been advised that, under Cayman Islands law, the use of a Chinese name pre-approved by the Registrar of Companies in the Cayman Islands by our Company in conjunction with our English name does not contravene Cayman Islands law.
- (i) The English text of this prospectus shall prevail over the Chinese text.

**13. Bilingual Prospectus**

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided in section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

**14. Particulars of Selling Shareholders**

The particulars of the Selling Shareholders are set out below:

| Name                                    | Registered address  | Description   | Number of Sale Shares under the International Offering |
|---|---|---|--|
| Phillip Ventures Enterprise Fund 2 Ltd. | 250 North Bridge Road #06-00<br>Raffles City Tower<br>Singapore 179101    | a public company limited by shares incorporated in Singapore, which is a private equity investment fund managed by Phillip Private Equity Pte. Ltd.               | 6,944,000  |
| 3VSI Asia Growth Fund Ltd.              | 1 Coleman Street #06-05<br>Singapore 179803                               | a public company incorporated in Singapore. It is a private equity investment fund managed by 3V SourceOne Capital Pte. Ltd.                                      | 2,084,000  |
| Skylight Enterprises Group Ltd          | TrustNet Chambers<br>P. O. Box 3444, Road Town<br>Tortola, BVI            | an investment holding company incorporated on 12 January 2000, which is wholly-owned by Mr. Ng Seng Tat. Mr. Ng is a private individual investor.                 | 1,388,000  |
| Polygon Capital Limited                 | P. O. Box 957<br>Offshore Incorporation Centre<br>Road Town, Tortola, BVI | an investment holding company incorporated on 1 September 2005 focusing on pre-IPO opportunities or listed equity, which is wholly-owned by Thomas Markus Roeggia | 906,000  |
| Julian Lionel Sandt                     | 217 Kew Crescent<br>Singapore 466116                                      | a private individual investor   | 486,000  |
| Long Chee Tim, Daniel                   | 2 Taman Serasi #01-02<br>Singapore 257718                                 | a professional fund manager   | 346,000  |
| Terrance Tan Kong Hwa                   | 1 Paya Lebar Crescent #01-01<br>Singapore 536019                          | a professional fund manager   | 346,000  |
|   | <b>Total:</b>   |   | <b>12,500,000</b>                                      |

**DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES**

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were (i) copies of the **WHITE, YELLOW** and **GREEN** application forms, (ii) copies of the written consents referred to in the paragraph headed “Consents of experts” in the section headed “Other information” in Appendix VI to this prospectus, and (iii) copies of the material contracts referred to in the paragraph headed “Summary of material contracts” in the section headed “Further information about our Group” in Appendix VI to this prospectus.

**DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the offices of Li & Partners at 22nd Floor, World Wide House, Central, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the memorandum of association and the Articles of Association;
- (b) the accountants’ report of our Company prepared by Ernst & Young, the text of which is set out in Appendix I to this prospectus;
- (c) the audited accounts of the companies comprising our Group for each of the three financial years ended 31 December 2010 and nine month ended 30 September 2011;
- (d) the letter from Ernst & Young in relation to the unaudited pro forma financial information of us, the text of which is set out in Appendix II to this prospectus;
- (e) the PRC legal opinion issued by Hills & Co.;
- (f) the Singapore legal opinions issued by RHTLaw Taylor Wessing LLP;
- (g) the Malaysia legal opinion issued by The Law Office of KK Chong & Company;
- (h) the letter, summary of valuations and valuation certificate relating to the property interests of us prepared by DTZ Debenham Tie Leung Limited, the text of which is set out in Appendix IV to this prospectus;
- (i) the Companies Law;
- (j) the letter prepared by Appleby summarising certain aspects of the Cayman Islands company law referred to in Appendix V to this prospectus;
- (k) the material contracts referred to under paragraph headed “Summary of material contracts” in Appendix VI to this prospectus;

- (l) the written consents referred to under paragraph headed “Consents of experts” in Appendix VI to this prospectus;
- (m) the rules of the Share Option Scheme; and
- (n) the service agreement referred to under the paragraph headed in “Particulars of service agreements” in Appendix VI to this prospectus.

This page is intentionally left blank

This page is intentionally left blank