

ORION MINERALS GROUP LIMITED

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

CHAIRMAN'S LETTER

Dear Shareholders,

The Board of Orion Minerals Group Limited is seeking shareholder approval for the implementation of a significant operational restructure which has been negotiated and endorsed by the Board of the Company, subject to shareholder approval.

Summary of Operational Restructure

The prospective operational restructure comprises the following principal component parts:

- The cessation of its prospective mining operations in Chile; and
- The adoption of an alternative business strategy whereby the Company may seek to undertake private equity investment in projects and companies with Chinese market potential.
- The approval of the Company's purchase of a 2% interest in the share capital of China Home & Commercial Space Group Limited ("CHC") for an aggregate purchase price of USD6,073,950.

Cessation of operations in Chile

The Board has spent a significant amount of time reviewing the Company's operations in Chile and the viability and economics of continuing to maintain its current business strategy in Chile.

Following the conclusion of the Board's review of the Chilean operations, the Board has resolved to discontinue its present business strategy of investigating opportunities to invest in iron ore (and other mineral) projects in Chile.

The principal reasons for this decision relate to the difficulties associated with developing iron ore projects in Chile, namely:

- There are few deep water port facilities which OMG can readily exploit to ship iron ore economically;
- Any potentially suitable port facilities in Chile would require significant capital expenditure by the Company to get those facilities to a suitable specification to process iron ore efficiently. The prospective capital costs render the expenditure uneconomic;
- Given the geography of Chile there is a significant shortage of water to process iron ore and iron ore tailings economically. The primary iron ore deposits located in Chile are located in Copiapo, the driest desert in the world. Local government have very strict regulations on using underground water for industrial use. The costs of acquiring access to water, together with the costs of complying with local government requirements relating to water make the scarcity of water a significant factor against developing a viable mining operation in Chile for the Company.
- The current cash position of the Company of approximately USD\$7.6 million is not sufficient to develop a standalone mining project in Chile, nor enough to fund an iron ore tailings processing project.
- The Board of the Company has instructed its executive in Chile to commence the wind down of its operations in Chile and liquidate all of its assets which are located in Chile. These assets are primarily motor vehicles and trucks.

The economics of the prospective mining operations for the Company in Chile changed markedly once the Company determined that the originally Javiera prospect previously owned by the Company was not viable. The determination by the Company that the Javiera prospect was

not economically viable exacerbated the impact that the above issues were to have on the Company undertaking a new project elsewhere in Chile.

Private Equity Investment Initiative

The Board of the Company has considered numerous opportunities available to the Company and has resolved that an alternative business strategy that the Company may pursue is to undertake private equity investment in projects and companies with Chinese market potential.

The Board believes that superior returns may be generated by the Company investing in the Chinese and greater Asian private equity markets having regard to the exceptional growth in that region.

The CHC initiative

The Chinese domiciled directors of the Company have identified and recommended that the Company enter into an arrangement to acquire 100% of the shares on issue in Taiford (Asia) Limited, which company in turn owns 2% of the share capital in CHC for a total aggregate purchase price of USD6,073,950.

CHC are a leading vertically integrated total solution provider in the Peoples Republic of China ("PRC"), providing personalised interior design and consultation services, project management and installation services, home finishing products as well as furniture and fittings. CHC's business includes retail of its own branded consumer products and the provision of tailor-made turnkey services. CHC's business comprises its business to consumer ("B2C") business and business to business ("B2B") business.

The settlement of the acquisition of the interest CHC is conditional upon resolution 1 being approved by a special resolution.

Further information about the transaction is provided in the Explanatory Notes that accompany this Notice.

Yours faithfully



Roger Gower
Chairman

ORION MINERALS GROUP LIMITED

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

Notice is hereby given that the Special Meeting of Shareholders of Orion Minerals Group Limited (the "Company") will be held at the Copthorne Hotel Auckland Harbour City (Room - Copthorne 1), 196-200 Quay Street, Auckland on Monday 28 March 2011 at 10.30 am.

The Explanatory Notes which accompany this Notice of Meeting sets out the details of the transaction which is the subject of resolution 1 and the approval required for the resolution by the shareholders of the Company pursuant to the NZAX Listing Rules (the "Listing Rules"), the Companies Act 1993 and the constitution of the Company.

BUSINESS OF THE MEETING

1. *Acquisition of Taiford Asia Limited ("Taiford") - Special Resolution*

To consider and, if thought fit, pass the following resolution as a special resolution of the Company:

"The agreement made between the Company and the shareholder of Taiford ("the Agreement"), under which the Company has agreed to acquire all of the shares on issue in Taiford ("Taiford Shares") for USD6,073,950, and the transactions described in the Agreement are approved, and that the Directors be authorised to take all action, do all things and execute all documents and agreements necessary or considered by them to be expedient to give effect to such transactions."

NOTES

1. EXPLANATORY NOTES

Explanatory Notes for Resolution 1 are set out in the following pages.

2. PROXIES

Accompanying this document is a proxy form, to enable shareholders to vote on the resolutions either by:

- attending the Special Meeting; or
- appointing a proxy to vote on their behalf at the Special Meeting.

Shareholders are urged to complete and return the proxy form as soon as possible if they do not plan to attend the Special Meeting. A shareholder wishing to appoint a proxy should complete the enclosed proxy form and send it to the Share Registrar for the Company, the details of which are provided on the proxy form. A proxy need not be a shareholder of the Company.

The completed proxy form must be received no later than 48 hours before the meeting is due to begin, in accordance with the instructions in the notes to the proxy form accompanying this Notice.

A shareholder may, if he/she/it wishes, appoint the Chairman of the Special Meeting as proxy, as described further in the procedural notes to the resolutions.

3. VOTING RESTRICTIONS

To the best of the knowledge of the Board of Directors, no persons are restricted from voting on Resolution 1.

All persons registered on the Company's register of shareholders as the holders of shares as at 5pm on Friday 25 March 2011 shall, subject only to the preceding restrictions, be entitled to vote at the Special Meeting in person or by proxy.

By Order of the Board of Directors

A handwritten signature in black ink, appearing to read "Roger Gower", with a stylized flourish at the end.

Roger Gower
CHAIRMAN

EXPLANATORY NOTES

Listing Rules and Companies Act

The Company is listed on the New Zealand Alternative Market (“NZAX”) and must comply with the NZAX Listing Rules (“Listing Rules”). In addition, various provisions of the Listing Rules are included in the Company’s constitution. The Companies Act, the Company’s constitution and the Listing Rules contain specific requirements which are relevant to the resolution comprised in this Notice.

The implications of the Listing Rules, the Companies Act and the constitution, insofar as they relate to resolution 1, are addressed in the Explanatory Notes.

Resolution

The resolution which is to be considered at the Special Meeting is a special resolution. A special resolution is a resolution passed by a majority of not less than 75% of votes of shareholders of the Company, entitled to vote and voting.

Set out below is further information on the resolution to be proposed at this Meeting.

RESOLUTION 1: ACQUISITION OF TAIFORD ASIA LIMITED (“TAIFORD”) – SPECIAL RESOLUTION

Background

In conjunction with the cessation of its prospective mining operations in Chile, the Board of the Company has considered numerous opportunities available to the Company and has resolved that an alternative business strategy that the Company may pursue is to undertake private equity investment in projects and companies with Chinese market potential.

This new initiative may involve acquiring stakes in businesses requiring capital to grow, or may comprise investing in business prior to them undertaking an initial public offering of their securities on the Chinese stock exchange.

The Board considers that the Company is well placed to use the strong network of associates that its major shareholder, Fengli Group, has in China and the greater Asian region, to source prospective investment opportunities for the Company.

The Board believes that superior returns may be generated by the Company investing in the Chinese and greater Asian private equity markets having regard to the exceptional growth in that region.

The CHC initiative

The Chinese domiciled directors of the Company have identified and recommended that the Company enter into an Agreement to acquire 100% of the shares on issue in Taiford (Asia) Limited (“Taiford Shares”), which company in turn owns 2% of the share capital in CHC for a total aggregate purchase price of USD6,073,950.

Taiford is a Hong Kong incorporated company whose sole asset is 50,000 ordinary fully paid shares in China Home & Commercial Space Group Limited (“CHC Shares”).

Taiford has no actual or contingent liabilities of whatsoever nature.

The CHC Shares represent 2% of the total number of shares on issue in CHC.

CHC are a leading vertically integrated total solution provider in the People’s Republic of China (“PRC”), providing personalised interior design and consultation services, project management and installation services, home finishing products as well as furniture and fittings. CHC’s business includes retail of its own branded consumer products and the provision of tailor-made

turnkey services. CHC's business comprises its business to consumer ("B2C") business and business to business ("B2B") business.

It is anticipated that CHC will undertake an initial public offering ("IPO") of its securities in China and seek a listing of its securities on the Chinese Stock Exchange within the next 12 to 24 months. The Chinese domiciled directors believe that an IPO of CHC may produce a significant capital gain for the Company as there is a potentially significant differential between the price proposed to be paid by the Company to purchase the CHC Shares and the potential value of the CHC Shares should CHC undertake an IPO.

At this stage it is contemplated that the Company will not realise its stake in CHC until at least after the prospective IPO of CHC. Following the IPO of CHC the Board will then assess the appropriate time to realise its position in CHC having regard to all the circumstances at that time.

The Company has not resolved whether it will seek to make additional investments in other entities at this time in addition to its prospective investment in CHC. If the Company wishes to do so then it is likely that the Company will need to raise further capital to provide the funding for further investment. An alternative strategy will be for the Company to realise its position in CHC following the completion of the IPO of CHC, and then seek to identify and invest in appropriate investment opportunities with the proceeds of realisation of the CHC stake. The Company will provide further information to its shareholders of its intentions in this regard in due course.

In the event that Resolution 1 is not approved, then:

- the CHC transaction will not proceed; and
- the Board will continue to investigate alternative investment opportunities in China and present them to the shareholders of the Company for their consideration in due course.

Commercial Terms

The Agreement provides that the consideration for the purchase of the Taiford Shares will be satisfied by the payment of the USD6,073,950 to the Vendor in immediately available cleared funds on settlement of the transaction.

The transaction is conditional upon the shareholders of the Company approving the proposed acquisition of the Taiford Shares.

In the event that the shareholders approve the proposed acquisition of the Taiford Shares, then the transaction will settle within five business days of the date of the Special Meeting.

The Purchase Price

The Company is proposing to pay USD6,073,950 for the Taiford Shares.

The Board of the Company believes that this purchase price is fair and reasonable to the Company and its shareholders for the following reasons:

- Taiford (Asia) Limited's sole assets are the CHC Shares;
 - Taiford (Asia) Limited has no liabilities of whatsoever nature;
 - The Board of the Company considers that value of the underlying assets of Taiford (the CHC Shares) effectively represents an amount equal to the value of the Taiford Shares;
 - In assessing the value of the CHC Shares, the Board has applied an earnings multiple of 10 against the 2012 forecast earnings for CHC and then divided the enterprise value of CHC by the percentage of shares which the CHC Shares represent as a percentage of the total number of CHC Shares on issue;
 - The Board of the Company believes that should the shares of CHC be listed on the Chinese Stock Exchange in the short to intermediate future, then the likely value of the CHC Shares should increase markedly given the significant earnings multiples that are applicable to public listed companies on the Chinese stock exchange;
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- The Board of the Company hopes to realise a significant capital gain from its investment in the CHC Shares.

The Valuation Methodology

In determining the valuation of the Taiford Shares, the Board essentially needed to undertake a valuation of the CHC Shares which represent the assets underlying the Taiford Shares.

The Board assessed the fair market value of CHC using the capitalisation of earnings method. The capitalisation of earnings method that the Board have applied derives an assessment of the value of the CHC shares derived from the CHC enterprise value.

Capitalisation of earning methodology

The capitalisation of earnings method requires an assessment of the future maintainable earnings of the business and a selection of a capitalisation rate (or earnings multiple) appropriate to that particular business for the purpose of capitalising the earnings figure. This method is based on the principal that comparable companies engaged in similar business activities will have similar operating and financial risks and returns and can therefore be valued using a similar multiple of earnings.

A multiple is often applied to net profit after tax (**NPAT**) in order to determine the enterprise value (**EV**) of the business. In the event that the company has negative earnings, a multiple of sales is sometimes used as a proxy for comparative purposes.

The EV represents the value of the business as a whole and a deduction is then made for net debt to determine the equity value of the business and the implied value per share.

Comparable multiples are generally derived using two key sources of information;

- Implied multiple of earnings data based on recent historical (and/or forecast) earnings of comparable companies relative to their Enterprise Value.
- Implied multiple of earnings data based on the recent sale price of comparable companies relative to their recent historical (and/or forecast) earnings.

Comparable transaction data is often the most applicable guide to determining the fair market value of a company. However, this data is often confidential and is therefore difficult to obtain due to its commercial sensitivity.

The capitalisation of dividends method is similar to a capitalisation of earnings approach and is generally used to value minority equity shareholdings. This method involves a direct determination of the equity value of a company using an assessment of the future maintainable dividends. The future maintaining dividends are capitalised using an appropriate dividend yield to determine the value of equity and value per share.

Capitalisation of earnings methodologies are generally most appropriate for established companies with stable earnings. The advantage of an earnings-based method over the DCF method is that earnings multiples can be directly observed in the market.

Application of the valuation methodology

CHC is projecting NPAT for the financial year ended 2012 of approximately RMB200 million. The Board have applied an NPAT multiple of 10 to the forecast NPAT performance for financial year ending 2012 and have assessed an enterprise valuation of RMB2 billion.

Assessment of the NPAT multiple

The NPAT multiple was agreed as part of the negotiation of the purchase price between the Company and the Vendor of the Taiford Shares on a commercial arm's length basis. The Board considers that an NPAT multiple of 10 is in line with market based NPAT multiples for a private closely held business in China. The Board considers that an NPAT multiple of 10 is fair and reasonable to the Company and to its shareholders, especially given the prospective NPAT multiples for Company's when they list on a recognised stock exchange in China can be in the range of 40 to 50.

Introduction to CHC

A comprehensive background to CHC is provided in the Annexure to this Notice entitled "Introduction to CHC".

Requirement for Resolution

The purchase of the Taiford Shares must be approved by shareholders. These are the reasons why the approval is required:

Major Transaction

Under this Transaction, the Company will acquire assets (the Taiford Shares) which have a value that is greater than half the value of the Company's assets before the acquisition. Therefore the Company will be entering into a "major transaction" for the purposes of section 129 of the Companies Act. Section 129 of the Companies Act requires that the resolution must be passed by a special resolution of shareholders present in person or proxy and able to vote at the meeting.

A special resolution of shareholders means a resolution of shareholders approved by a majority of 75% of the votes of those shareholders entitled to vote and voting on the question.

Change in Direction

Under this Transaction, the Company will be entering into a transaction which will change the essential nature of its business. Therefore, Listing Rule 9.1.1(a) also requires the proposal to be approved by an ordinary resolution of shareholders.

Value of Transaction

This Transaction involves the acquisition of assets, namely the Taiford Shares, in respect of which the gross value of the assets is in excess of 50% of the Average Market Capitalisation of the Company (as that term is defined in the Listing Rules). Therefore, Listing Rule 9.1.1(b) requires the proposal to be approved by an ordinary resolution of shareholders.

In respect of those shareholders who vote against Resolution 1, section 110 of the Companies Act gives those shareholders certain rights to require the Company to purchase their shares in the Company, if Resolution 1 is approved. Any shareholder who casts all votes attached to the shares registered in their name (and having the same beneficial owner) against Resolution 1 is entitled to require the Company to purchase their shares.

The right to have shares purchased must be exercised within 10 Business Days of the passing of Resolution 1 by the dissenting shareholder by giving written notice to the Company.

INTRODUCTION TO CHC

OVERVIEW

CHC is a top home lifestyle company in China and the future consolidator of China's medium to high end home improvement market. By designing home products integrated in CHC's lifestyle and home galleries, CHC provide total solutions to its customers' living environments that encompass personalised interior design and consultation services through which they can offer a broad range of products, including home finishing materials, home products and value-added products such as landscape, garden or escalator. CHC's goal is to bring about quality lifestyle embodied in their meticulous designs of lifestyle themes, space and products for its customers' residences through its one-stop service platform, which enables CHC to further consolidate the fragmented market in China's medium to high end home improvement industry.

CHC's unique and outstanding designs, which satisfy its targeted customers' pursuit of characteristic home and lifestyle, are well embedded in their three established brands targeting different consumer groups: (i) Tellmach, CHC's premium luxury brand which caters to the exclusive needs of the high to very high end customers; (ii) CHC, CHC's affordable luxury brand which is dedicated to the medium-high to high end customers; and (iii) Kebao, CHC's inexpensive fashion brand which offers quality products at moderate prices to CHC's mid-range customers.

CHC provide one-stop home lifestyle services to its customers. The quality lifestyle that CHC endeavour to provide to its customers is realised through CHC's cyclical and integrated business chain comprising the following aspects:

- (1) CHC's holistic designs of lifestyle themes, exhibited in CHC's lifestyle and model home galleries that are furnished with the corresponding space and product designs;
- (2) CHC's project management and installation services, integrated into CHC's total solutions package;
- (3) CHC's in-house manufacturing and OEM outsourcing capabilities, substantiating the lifestyle themes into viable solutions for CHC's customers; and
- (4) CHC's catering for customers' lifelong pursuit for home improvement and quality lifestyle, cultivating customer loyalty and supporting sustainable growth.

By providing total solutions to CHC's customers' home lifestyle needs with its holistic designs and one-stop services, CHC can bundle more products in each sale, increasing the per-order value and avoiding price competition on a single-product basis. Through CHC's lifestyle and model home galleries and by offering its design and consultation services, CHC have integrated the sales of home finishing materials, home products and value-added products into a unique business model, leading CHC to believe that they are a leader in the industry and will become a consolidator of the fragmented market in the future.

CHC adopt a flexible sales operation model for its business operations comprising its B2C business and B2B business. CHC's B2C business consists of provision of total solutions and sale of home products to its retail customers, and CHC's B2B business provides tailor-made integrated services and products to its commercial customers including real estate developers, hotels, commercial banks, retail space, office buildings and so on. Given that the business core value CHC always have in mind is to satisfy its customers' lifestyle needs, CHC's flexible sales operation model allows it to restructure the contents of its total solutions to fulfil their needs as well as to address the latest market development. As a result, CHC believe its solid brand portfolio, CHC's cyclical and integrated business chain and its flexible sales operation enhance its competitiveness and at the same time provide more opportunities and potential for its future business development.

CHC commenced business in 1999 by providing kitchen turnkey solutions. In around 2005 it became a leading provider and retailer of home improvement total solutions in Beijing with a sales network of lifestyle and model home galleries and direct retail outlets. In 2007, CHC

extended its successful sales operations model in Beijing to its three strategic sales areas, namely the Pearl River Delta region, Yangtze River Delta region and Circum-Bohai-Sea region, through setting up lifestyle and model home galleries in their key cities and other self-operated retail outlets. With about ten years of development, CHC have developed into a nationwide retailer, operating nine lifestyle and model home galleries and 44 direct retail outlets, as well as another significant number of indirect retail outlets through 180 independent third-party distributors in the non-strategic sales areas. In order to better capture the business opportunities in the expanding home improvement market in the growing economy of China, CHC plan to adopt a fully self-operated sales operations model for all of its business in China.

CHC experienced significant growth during the last three years. Its sales revenue for the three financial years ended 30 June 2007, 2008 and 2009 was RMB382.1 million, RMB664.3 million and RMB1,069.5 million, respectively, representing a CAGR of 67.3%, while profit attributable to equity shareholders of the Company for the same periods was RMB57.2 million, RMB92.9 million and RMB130.1 million, respectively, representing a CAGR of 50.8%.

CHC'S STRENGTHS

CHC believes that its success to date and potential for future growth can be attributed to a combination of its strengths, including the following:

- integrated business chain to generate added value;
- top home lifestyle company with strong consolidation capacity;
- strong design capabilities and innovative marketing strategies; and
- established brand image to secure customer loyalty.

CHC'S STRATEGIES

CHC aims to become a world-class total-solution provider in the home improvement and decoration industry in the PRC with first class products and services. CHC intend to grow its business by pursuing the following strategies:

- Further integrate its operations along its business chain;
- Enhance its design capacity to strengthen its brand building;
- Expand its sales and distribution network;
- Develop electronic business model for fast growing Kebao brand.

CHC'S BUSINESS

CHC are a leading vertically integrated total solution provider in the PRC, providing personalised interior design and consultation services, project management and installation services, home finishing products as well as furniture and fittings. CHC's business includes retail of its own branded consumer products and the provision of tailor-made turnkey services. CHC's business comprises its B2C business and B2B business.

CHC's B2C business

CHC's B2C business, which is its core business at present, consists of the provision of tailor-made turnkey services and the sales of home finishing products as well as furniture and fittings.

Provision of tailor-made turnkey services

In the provision of tailor-made turnkey services, CHC offers its customers a total solution for their home improvement needs that includes four basic components, namely (a) personalised interior design and consultation services; (b) project management and installation services; (c) home finishing products, such as kitchen cabinet, bathroom closets and doors, flooring, wall paper, tiles and other built-in products; and (d) furniture and fittings. In China, a significant portion of residences are sold as concrete shells. Upon its delivery of a turnkey services project, CHC's customers will have a home ready for them to move into, which is designed and fitted out to suit their personal taste and fully furnished.

Customers can choose products and services they need from CHC's three core brands, namely Tellmach, CHC or Kebao, depending on their preferences and budgets. The products available include the complete range of products that CHC design and produce in-house and the OEM products that CHC source from third parties.

The provision of its tailor-made turnkey services is a complicated process that involves the coordination and input from multiple departments. A project manager coordinates the whole process including design, implementation and monitoring of the project management and installation work, selection of home finishing products and ancillary products and inspection and acceptance of the project management and installation works. They are also in charge of integrating the project management and installation plans with the product design plans that are prepared by the product designers.

CHC believes its ability to integrate specific product designs into the overall project management and installation plan and to provide a tailor-made total solution package with a consistent style sets them apart from other home improvement service or product providers. Underlying its capability to provide such tailor-made total solution is its in-house manufacturing capability, which allows it to manufacture products as individually ordered and designed.

Customers of CHC's tailor-made turnkey services primarily include home owners with medium to high levels of income.

Customers for tailor-made turnkey services typically enter into contracts of three types: a design contract, a sale of products contract and a process management and installation services contract. CHC usually requires its customers to make payment under the process management and installation services contract in three to four instalments. Under the design contract and the sale of products contract, however, customers pay us a lump sum in full upon execution of the contracts.

Provision of tailor-made home finishing products

CHC also sell tailor-made home finishing products in its B2C business. Products that CHC offer primarily include integrated kitchen, integrated bath ware, integrated flooring, walling and ceiling systems and integrated furniture and fittings.

Same as customers of CHC's turnkey services, customers for CHC's products can choose all of the products they need from CHC's three core brands, namely Tellmach, CHC or Kebao, depending on their preferences and budgets. The brand Tellmach allows the most flexibility for personalised design and manufacturing, while the brand Kebao gives CHC's customers some choices from a pre-set menu within a manageable budget.

CHC's B2B business

In CHC's B2B business, CHC provides tailor-made home finishing products and furniture and fittings to business entities such as real estate developers and other commercial clients.

CHC provide products and services to real estate developers for their newly built apartments. Real estate developers contract CHC to fit out or decorate the whole or part of their development projects, which usually include hundreds of apartments. The products CHC supply range from integrated kitchen, integrated bath ware, integrated flooring, walling and ceiling system and, in some circumstances, integrated furniture and fittings. CHC may offer one or more of these types

of products to the real estate developers, depending on its customers' needs. Real estate developers may choose from Tellmach, CHC and Kebao brands depending on their preference and budget.

CHC also provide project management and installation services and products to commercial spaces in addition to residential projects as developed by real estate developers. In this regard, projects that CHC have undertaken or have contracted for include the renovation of offices for branches of China Merchants Bank, Nokia China's headquarter, and luxury automobile display stores like the Porsche 4S store and Mercedes-Benz 4S store in Beijing. CHC believe that these projects represent significant challenges in terms of techniques, and that CHC's reputation for providing sophisticated technical solutions has won CHC clients in this field.

Commencing in 2007, CHC's B2B business extended to overseas clients including real estate developers, hotel owners and other commercial entities. CHC has undertaken projects in the US, Japan, New Zealand, Switzerland, Pakistan, Mongolia and the United Arab Emirates.

SALES, MARKETING AND CUSTOMER SERVICES

Sales and distribution

CHC have an established network in the PRC consisting of retail outlets directly operated by CHC and those operated by its distributors. CHC and its distributors operate two different types of retail outlets: lifestyle and model home galleries and retail outlets.

- *Lifestyle and model home galleries.* In the lifestyle and model home galleries, CHC and CHC's distributors display different styles of model homes, all fitted out and furnished with CHC's latest designs and products.
- *Retail outlets.* A retail outlet is an outlet that CHC or CHC's distributors operate in a home improvement shopping mall or market that carries one or more types of products. In a home improvement shopping mall or market where CHC (or their distributors) have a presence, CHC (or their distributors) typically manage multiple retail outlets to carry different types of its products.

Marketing activities

CHC deploy a variety of marketing initiatives to build its brand image, to raise customers' awareness and build customer loyalty, as well as to expand its sales. Most of CHC's marketing activities are formulated and coordinated by its marketing department. CHC also engage professional companies from time to time to plan or organise marketing activities.

DESIGN

Each of CHC's three core brands has a dedicated design team.

CHC have a team of talented designers that include internationally and domestically well-known individuals. CHC's designers are either contracted by CHC on a project-by-project basis or employed by CHC permanently. Apart from designing new products, CHC's designers are also capable of turning CHC's customers' specifications and requests into viable designs. CHC are then able to supply most of the products which will enable its designers to bring the design to fruition. As such, CHC can ensure the consistency of the style of its design.

PROJECT MANAGEMENT AND INSTALLATION SERVICES

Among the four basic components of CHC's tailor-made turnkey services, namely, (a) personalised interior design and consultation services; (b) project management and installation services; (c) home finishing products, such as kitchen cabinets, bathroom closets and doors, flooring, wall paper, tiles and other built-in products; and (d) furniture and fittings, project management and installation are the processes through which CHC's turnkey total solutions

services are realised. CHC offer turnkey supply chain management to its clients and coordinate throughout the entire project. Primary onsite work involved in the project management and installation process includes wooden work, installation of the tailor-made products and the basic home finishing work such as renovation of the utilities systems, painting and tiles fixing. Following the execution of the project management and installation services agreements, CHC arrange the briefing by its designers and project managers in respect of the contractual requirements and work conditions to the customers. CHC then draw up a schedule for the project management and installation work and make up a list of the main and ancillary products. CHC outsource some of its basic home finishing works to third party contractors who are responsible for renovation of the utilities systems, painting and tiles fixing.

MANUFACTURING

Manufacturing is an integral part of realising CHC's turnkey services. The home finishing products and furniture and fittings used in CHC's services are either manufactured in-house or procured as OEM products. CHC believes its business model which emphasises tailor-made services makes it necessary to retain an in-house manufacturing capacity to provide the critical parts needed pursuant to individual orders of its customers. In order to minimise the disturbance to CHC's customers and to achieve effective cost control, CHC endeavour to manufacture and assemble as many products and components as possible, especially those standard parts, in its manufacturing facilities or procure them from OEM manufacturers. CHC manufacture four main categories of products, namely integrated kitchenware, integrated bath ware, integrated wooden products and integrated furniture.

COMPETITION

The home improvement and decoration industry is highly competitive and fragmented. The elements of competition include costs, quality, design, functionality, production capacity, speed of delivery and marketing.

In CHC's B2C tailor-made turnkey services, CHC compete with domestic and international decoration service providers. CHC distinguishes itself by integrating its products with the turnkey services it provides and its diverse brand portfolio. CHC's B2C retail sales of products, including those to end customers and to third party distributors, compete with domestic and international home improvement products manufacturers and retailers. CHC's believes its role as both a retailer and manufacturer and its wide range of offerings have given it the competitive advantage of providing its customers the opportunity of shopping under one roof while maintaining the consistency of the style and quality. More importantly, its tailor-made turnkey services have further distinguished CHC from pure retailers and/or manufacturers of home improvement products.

CHC's B2B business competes with domestic and international players which provide total solution services to real estate developers and project owners. CHC's competitors also include real estate developers who have developed their in-house decorating and fitting-out capacity. CHC also compete with international competitors in countries where it conducts its international B2B business. CHC's B2B business requires prompt fulfilment of bulk orders and differs with its B2C business in many respects, including its product development and management. However, CHC believes it has the competitive edge provided by its premium brand image after years of brand building in its B2C business, innovative research and development capacities and the complete range of products as integrated into its total solution business model. CHC's B2B business draws on the successful experience of its B2C business and benefits from the extensive sales network built for CHC's B2C business. CHC believes it has established an effective management and sales team to cope with the demand from its B2B business.
