This summary aims to give you an overview of the information contained in this prospectus and should be read in conjunction with the full text of this prospectus. As the following is only a summary, it does not contain all the information that may be important to you. You should read the prospectus in its entirety 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 set out 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.

Various expressions used in this summary are defined in the sections headed "Definitions" and "Glossary of technical terms" in this prospectus.

OVERVIEW

We were the largest steel pipe manufacturer in the PRC in terms of production volume of longitudinal submerged arc welded steel pipes which are formed utilising submerged arc welding technology ("**LSAW steel pipes**") in each of the three years ended 31 December 2009 as confirmed by CSPA and we are a forerunner in terms of the manufacture of LSAW steel pipes in the PRC as, according to CSPA and TGRC, our continuous axis contorting (J-shape, C-shape and O-shape forming) process ("**JCOE**") production line located in Panyu, Guangdong Province, the PRC was the first LSAW steel pipes production line in the PRC and our U-shape and O-shape forming processes ("**UOE**") production line was also the first LSAW steel pipes production line using UOE production method in the PRC. Moreover, we are also capable of producing LSAW steel pipes with the largest outside diameter in the PRC as confirmed by CSPA. According to TGRC, we are one of the four LSAW steel pipes manufacturers recognised to have the capabilities to produce LSAW steel pipes that meet the X80 standard that are considered suitable for application in major national pipeline projects in the PRC. Since our Group's establishment in 1993, we have been focusing on the production of high quality longitudinal welded steel pipes and have gained sound market reputation manifested by the accreditations awarded to us in relation to the quality and market acceptance of our steel pipe products marketed under the brand name "PCK" throughout the years. Our steel pipe products are highly regarded by domestic and international customers with particular reputation on distinguished quality and services.

Our business model

We operate our business under a project-originated model through which the sales of our steel pipe products depend largely on the locations of our customers, and/or their end customers, as well as the locations of global pipeline construction projects, and our Group derived a high proportion of our revenue from our major customers in the PRC and a number of customers in over 50 overseas countries and regions during the Track Record Period, which customers base varies from year to year. Our varying customer base results in differing requirements or specifications for our steel pipe products designated by our customers and therefore the application of different processing know-how and technique in the production of the steel pipe products, which are customised for the relevant customer's projects. In addition, we supply our customised steel pipe products to our customers in such amount pursuant to the sales orders or contracts placed by our customers, which amount, as our Directors believe, will in general align with the pre-determined amount required by the relevant customer for its projects. After the signing of the sales contracts with our customers or successfully obtained a tender and within the validity period of the relevant raw material quotations, we will enter into a back-to-back purchase agreement with our suppliers to purchase the quantity of raw materials required in the corresponding sales contracts. As such, this made-to-order operational pattern could minimise our exposure to the risk of inventory accumulation. For details of our Group's sales and marketing activities and our customers, please refer to the paragraphs headed "Sales and marketing" and "Customers" in the section headed "Business" in this prospectus.

Moreover, our steel pipe products are also used for infrastructural purposes, such as water, irrigation and sanitation pipes, steel tubular piles or towers, hollow structural sections for buildings, bridges and stadiums, and structural and mechanical pipes in marine engineering projects. We have entered into a framework agreement dated 14 April 2009 in relation to the provision of approximately 100,000 tonnes of longitudinal welded steel pipes for The Huainan – Shanghai 1000KV transmission and transformation project under the project of "Eastward Power Transmission from Anhui" with a total contract sum of approximately RMB500 million. This project is a long-distance power grid construction project in the PRC and also China's first 1000KV grade double-circuit extra high voltage transmission project.

As our steel pipe products, especially LSAW steel pipes, are mainly used in pipeline and infrastructure projects worldwide, our Directors believe that any quality failure in the steel pipes used in such projects might potentially bring disastrous consequences to the safety and well being of the public at large and hence the tolerance level for quality failure of steel pipes to be used in infrastructure project is extremely low. Therefore, the manufacturing of our steel pipes that are suitable for use in global pipeline and infrastructure projects requires advance production technology and stringent quality control in order to meet the stringent international quality standard. Given the above, our Directors believe that the consideration of our product quality, track record and market reputation prevail over that of the price of our steel pipe products when our customers or potential customers are to place orders for our steel pipe products and thus price sensitivity of our LSAW steel pipes are relatively low.

Taking into consideration our "made-to-order" business model, i.e., we produce steel pipe products that are customised to meet our customers' specifications, and the high quality of our steel pipe products, our Directors consider that the various anti-dumping measures imposed by the United States and the EU in recent years did not cause any significant adverse impact to the demand for our steel pipe products and our operations as a whole.

Our products and operations

Our principal line of business is the manufacture and sale of longitudinal welded steel pipes. At the same time, in order to satisfy customers with specific requirements on raw materials for their products, we also provide steel pipe manufacturing services whereby such customers provide us with principal raw materials, namely, steel coils and steel plates, for our further processing of the same into steel pipes. Moreover, we provide ancillary products and services such as coating and fittings to our customers.

Our steel pipe products have a wide scope of applications (depending on the respective outside diameter and thickness) and a majority of them are sold to enterprises in the oil, petrochemicals and natural gas industry for use as pipelines for transmission of oil, petrochemicals, natural gas, city gas and coal slurry, or as casing pipes for oil wells. Domestically, a significant portion of our LSAW steel pipes and steel pipes which are formed using electric resistance welding technology ("**ERW steel pipes**") is sold to customers in the oil and gas industries in the PRC and CNPC, CNOOC and Sinopec are our major domestic customers. For each of the three years ended 31 December 2008 and the eight months ended 31 August 2009, our sales to CNPC (as a group) amounted to approximately RMB51.2 million, RMB195.8 million, RMB580.2 million and RMB475.0 million, respectively, and contributed to approximately 4.7%, 13.4%, 22.1% and 23.5%, respectively, of our total revenue; our sales to CNOOC (as a group) amounted to approximately RMB156.9 million, RMB176.3 million, RMB46.8 million and RMB78.4 million, respectively, and contributed to approximately 14.3%, 12.1%, 1.8% and 3.9%, respectively, of our total revenue; and our sales to Sinopec (as a group) amounted to approximately RMB88.3 million, RMB104.3 million, RMB220.6 million and RMB96.1 million, respectively, and contributed to approximately 8.0%, 7.2%, 8.4% and 4.8%, respectively, of our total revenue. For overseas markets, our steel pipe products are exported to customers in over 50 countries and regions in the Middle East, European Union, America, and Southeast and Central Asia, with the Middle East being a market of growing significance. We have built up a broad and geographically diversified customer base with more than 690 customers as at 31 August 2009, which comprise oil fields operators, oil companies, gas companies, petrochemical companies, trading firms and engineering firms worldwide.

As a result of the overall increasing trend of the oil and natural gas prices in the past few years, the industry experienced massive investments in exploration and drilling activities during the recent years. Moreover, the increasing demand for and consumption of natural gas worldwide boost the transportation infrastructure. Higher usage of natural gas requires better and more economical transportation medium thus stimulate the construction of more pipelines. The growth in the global demand for crude oil in recent years has led to a corresponding increase in capital expenditure on crude oil exploration, refining and transmission. In China, capital expenditure on oil and gas exploration and production has also risen steadily in recent years. According to the annual reports of PetroChina Company Limited, CNOOC Limited and Sinopec Shanghai Petrochemical Company Limited, being the listed companies of China's three main oil and gas conglomerates (CNPC, CNOOC and Sinopec), their aggregate capital expenditures and investments on exploration and production activities increased from approximately RMB85.7 billion in 2003 to approximately RMB252.1 billion in 2008, representing a CAGR of approximately 24.1%.

Our steel pipe products can be broadly categorised into LSAW steel pipes and ERW steel pipes. As at the Latest Practicable Date, we had three production lines for LSAW steel pipes and one production line for ERW steel pipes with an aggregate annual production capacity of 1,150,000 tonnes of longitudinal welded steel pipes. Our principal production base is located in Panyu, Guangdong Province, the PRC, where our major production facilities, including two production lines for LSAW steel pipes, one production line for ERW steel pipes and various ancillary production facilities, such as coatings and fittings, are housed. We also established one LSAW steel pipes production line in Jiangyin, Jiangsu Province, the PRC to meet the growing demand for such product in the PRC and other countries and regions in the Middle East, Europe, America, and Southeast and Central Asia.

We use JCOE or UOE production methods in the production of LSAW steel pipes. Among the three LSAW steel pipes production lines operated by our Group as at the Latest Practicable Date, two adopt the JCOE production method with an aggregate annual production capacity of 600,000 tonnes and one adopts the UOE production method with an annual production capacity of 400,000 tonnes. The ERW steel pipes production line has an annual production capacity of 150,000 tonnes.

OUR COMPETITIVE STRENGTHS

We attribute our success to several principal competitive strengths which will enable us to maintain our preeminent position in the market and bolster our future prospects. These competitive strengths include:

- We have a long-standing track record and well-established reputation in the industry
- We have a solid, broad and geographically diversified customer base
- Our sizeable production capacity allows us to take advantage of economies of scale
- We have advanced production facilities capable of accommodating customers' requirements
- We are the forerunner participating in the development of steel pipe industry of the PRC
- We have stringent quality control
- We have experienced management and technical staff
- We have strong research and development capabilities

For further details of our competitive strengths, please refer to the paragraph headed "Our competitive strengths" in the section headed "Business" in this prospectus.

OUR STRATEGIES

We strive to be a leading manufacturer of high quality longitudinal welded steel pipe products in the PRC and will continue to seek opportunities to realise sustainable growth of our business. Based on our experienced management team, research and development capabilities, well-established relationships with our major suppliers and customers and emphasis on the quality of products, our Directors believe that we are well-positioned to capture the anticipated growth of the steel pipe markets in the PRC and overseas. We intend to implement the following plans to maintain and capitalise on our strengths so as to enhance our business prospects and profitability:

- To increase our production capacity and to enhance our production efficiency and quality assurance and control systems
- To expand our distribution network and reinforce business relationship with our customers
- To strengthen our growth through organic growth, selective acquisitions and partnerships
- To strengthen our product research and development capability
- To increase our marketing efforts to promote the brand recognition of our steel pipe products marketed under the "PCK" trademark

For further details of our strategies, please refer to the paragraph headed "Our strategies" in the section headed "Business" in this prospectus.

OUR SALES

During the Track Record Period, a significant portion of our steel pipes was sold in the PRC and the remaining was sold to over 50 countries and regions in the Middle East, European Union, America, and Southeast and Central Asia, with Middle East being a market of growing significance. The following table shows the breakdown of our revenue by geographical area for each of the three years ended 31 December 2008 and the eight months ended 31 August 2009:

Market	**Year ended 31 December**						**Eight months ended 31 August**	
	2006		**2007**		**2008**		**2009**	
	RMB'000	*% of revenue*	*RMB'000*	*% of revenue*	*RMB'000*	*% of revenue*	*RMB'000*	*% of revenue*
Mainland China	599,523	54.5	663,590	45.5	1,252,643	47.7	752,700	37.2
America *(Note)*	145,507	13.2	291,498	20.0	613,451	23.3	164,105	8.1
European Union	217,104	19.8	11,803	0.8	61,742	2.4	97,466	4.8
Middle East	13,699	1.2	225,085	15.4	325,639	12.4	718,947	35.6
Other Asian countries	80,351	7.3	155,485	10.7	290,856	11.1	185,033	9.2
Others	43,557	4.0	110,567	7.6	80,308	3.1	103,052	5.1
	1,099,741	100.0	1,458,028	100.0	2,624,639	100.0	2,021,303	100.0

Note: For the three years ended 31 December 2008 and for the eight months ended 31 August 2009, among our sales to America, our sales to the US accounted for approximately 9.7%, 9.7%, 8.2% and 2.3%, respectively, of our total revenue.

Our sales were highly concentrated in one or a few market(s) during the Track Record Period. As shown above, approximately 54.5%, 45.5%, 47.7% and 37.2% respectively of our total revenue were generated from the customers in the PRC during the Track Record Period. Moreover, during the eight months ended 31 August 2009, our sales to the Middle East increased significantly and accounted for approximately 35.6% of our total revenue during the relevant period. For our sales to the PRC market, although there was a decreasing trend in the proportion of revenue generated from the PRC customers during the Track Record Period, we believe that we are still heavily dependent on the general economic conditions in the PRC for our continued growth especially in view of the recent development of our business in infrastructure and construction projects in the PRC. Though we exported an increasing portion of our steel pipe products to more than 50 overseas countries and regions and the sales thereof accounted for approximately 45.5%, 54.5%, 52.3% and 62.8%, respectively, of our total revenue during the Track Record Period, but our sales to the Middle East market accounted for a large portion of our total exports sales during the eight months ended 31 August 2009. Although our level of reliance on the PRC market had generally been decreasing during the Track Record Period, we expect that the PRC market will continue to be our single principal market. If sales to customers are being weighed or analysed on a country-to-country basis, no other country could prevail over the PRC as our Group's origin of revenue and income contribution.

Anti-dumping and countervailing measures

We export an increasing volume of steel pipe products during the Track Record Period. For each of the three years ended 31 December 2008 and the eight months ended 31 August 2009, exports sales accounted for approximately 45.5%, 54.5%, 52.3% and 62.8% of our total revenue during the Track Record Period respectively. Exports sales accounted for approximately 62.5% of our unaudited total revenue for the eleven months ended 30 November 2009. Due to heightened competition in international trade, foreign countries may from time to time impose anti-dumping or countervailing measures such as imposition of duties on any goods exported by the PRC (including our steel pipe products) so as to protect their own industries. Given our geographical presence in certain countries where anti-dumping and countervailing measures are adopted, we may face anti-dumping and countervailing measures that, among other things, impose duties on our exported steel pipe products. For details of the anti-dumping measures imposed by the EU, and several anti-dumping and countervailing orders and investigations in relation to certain steel pipes and pipe fittings imposed by the United States, please refer to the paragraph headed "Change of rules and regulations, including anti-dumping and countervailing measures, by foreign countries may affect our exports sales into those countries." in the section headed "Risk factors", the paragraphs headed "Anti-dumping and countervailing duties in the United States" and "Anti-dumping duties in the EU" in the section headed "Industry overview" in this prospectus.

On 30 December 2009, the ITC determined in Investigation No.701-TA-463 that a US industry is materially injured or threatened with material injury by reason of imports of certain oil country tubular goods from China that the DOC determined are subsidised in the DOC Notice Number C-570-944. As a result of the ITC's affirmative determination, the DOC issued a countervailing duty order on imports of these products from China on 20 January 2010. Countervailing duty rates determined by the DOC range from 10.36% to 15.78%, while the applicable rate for companies not investigated by the DOC is 13.20%. A parallel anti-dumping proceeding is still pending at the DOC and the ITC with final disposition expected in May 2010. That proceeding may result in additional duties. For details, please refer to the paragraph headed "Anti-dumping and countervailing duties in the United States" in the section headed "Industry overview" in this prospectus.

To the best of their knowledge after making all reasonable enquiries, our Company and Directors are not aware that any of our steel pipe products that were shipped to the United States or the EU where anti-dumping and countervailing measures were in place during the Track Record Period and up to the Latest Practicable Date were among those products targeted by the US and EU anti-dumping and countervailing measures. In addition, to the best of their knowledge after making all reasonable enquiries (including conducting market researches and making consultation with our sales agents), our Company and Directors are not aware that any of our steel pipe products that were shipped to countries other than the United States or the EU that have relevant anti-dumping and countervailing measures in place were among those products targeted by such relevant anti-dumping and countervailing measures in those other countries.

Further, to the best knowledge of our Directors, under the anti-dumping rules and regulations of the EU and the United States, the PRC may be treated as a "non-market economy" and, as a result, may be subject to special rules in determining whether imports of products from the PRC constitute dumping and in determining anti-dumping duty rates. For details, please refer to the paragraph headed "Anti-dumping determination and "non-market economy"" in the section headed "Industry overview" in this prospectus.

Impact of US and EU trade cases and investigations on our business

Our Directors are of the view, with which our legal advisers (as to the US and EU trade laws) who, amongst others, examined the product scope language of the AD and CVD (as defined in the section headed "Industry overview" in this prospectus) cases in the US and EU, interviewed representatives of our Company, and conducted a field verification as to the extent to which (if at all) our Company exported to the US or EU, during the Track Record Period and the subsequent period up to 31 December 2009, any products targeted by the US or EU AD or CVD cases, concur, that:

- the various anti-dumping cases and pending orders and investigations on different types of pipe fittings should not have any material effect on our business, as pipe fittings are rarely, if ever, used on the larger diameter welded pipes that represent the vast majority of our business.

- similarly, we do not manufacture any stainless steel pipe, so the US anti-dumping and countervailing cases on *Welded Stainless Steel Pressure Pipe* should not have a material effect on our business during the Track Record Period.

- we do not manufacture seamless pipe, but only welded pipe, so the EU anti-dumping case on *Seamless Pipe and Tube* should not have a material effect on our business during the Track Record Period.

- both the US and EU had cases on so-called "standard pipe" – smaller diameter pipe used in various basic applications such as fencing. Our steel pipe products are not standard pipe, and so the US cases on *Circular Welded Carbon Steel Quality Pipe* and the EU case on similar products should not have a material effect on our business during the Track Record Period.

- our core products involve various types of circular pipe and tube, which are very different from rectangular pipe and tube and as such, the US case on *Light-Walled Rectangular Pipe and Tube* should not have a material effect on our business during the Track Record Period.

- likewise, we do not manufacture drill pipe and so the US anti-dumping and countervailing cases on drill pipe should not have a material effect on our business during the Track Record Period.

Our Directors are of the view, with which our legal advisers (as to the US and EU trade laws) who, amongst others, examined the product scope language of the US and EU AD and CVD cases, interviewed representatives of our Company, and conducted a field verification as to the extent to which (if at all) our Company exported to the US or EU, during the Track Record Period and the subsequent period up to 31 December 2009, any products targeted by the US or EU AD or CVD cases, concur, that:

(i) Although in theory the case on Line Pipe could affect us, in fact the case should not have material impact during the Track Record Period. The scope language in the case specifically excluded both pipe in length of more than 32 feet, and pipe that has been painted or coated with protective coverings such as polyester. The only shipments we made to the US during the Track Record Period were of products that qualified for one or both of these specific exemptions from the scope of the case.

(ii) Similarly, although in theory the case on *OCTG* could affect our Company, in fact the products we produced during the Track Record Period were not OCTG – products which are used in the drilling for oil and gas – but rather products used for oil and gas transmission pipe lines. Such products are commonly understood in the industry and by US trade lawyers to be line pipe, not OCTG.

Furthermore, our Directors are of the view, with which our legal advisers (as to the US and EU trade laws) who, amongst others, examined the product scope language of the US and EU AD and CVD cases, interviewed representatives of our Company, and conducted a field verification as to the extent to which (if at all) our Company exported to the US or EU, during the Track Record Period and the subsequent period up to 31 December 2009, any products targeted by the US or EU AD or CVD cases, concur, that:

(i) our steel pipes are not subject to Council Regulation 1256/2008 as all our Group's products which were exported to the EU are for oil or gas pipelines and are therefore excluded under Council Regulation 1256/2008.

(ii) in relation to the above regulations, our LSAW steel pipes are not covered by either Council Regulation 1256/2008 or Council Regulation 926/2009 as the external diameter of our LSAW steel pipes exceeds 406.4 mm. Our ERW steel pipes are not covered by Council Regulation 926/2009 since the relevant CN Codes of our ERW steel pipes do not fall under the above-mentioned CN Codes under Council Regulation 926/2009.

(iii) our ancillary products, including coatings and fittings, are not covered by Council Regulation 803/2009.

OUR TRADING RECORD

The following table summarises our audited combined results for the Track Record Period, which are prepared on the assumption that our current corporate structure had been in existence throughout the Track Record Period and are extracted from the accountants' report, the text of which is set forth in Appendix I to this prospectus.

	Year ended 31 December			Eight months ended 31 August	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Revenue	1,099,741	1,458,028	2,624,639	1,683,314	2,021,303
Cost of sales	(919,865)	(1,191,977)	(2,087,689)	(1,292,521)	(1,573,330)
Gross profit	179,876	266,051	536,950	390,793	447,973
Other income and gains *(Note)*	2,496	3,253	6,430	2,923	31,287
Selling and distribution costs	(47,408)	(63,106)	(57,172)	(37,809)	(51,675)
Administrative expenses	(36,976)	(48,616)	(90,033)	(45,004)	(48,836)
Other expenses	(1,635)	(2,876)	(4,000)	(2,717)	(600)
Finance costs	(43,185)	(45,439)	(65,186)	(39,418)	(28,778)
Exchange loss, net	(1,544)	(10,692)	(9,021)	(10,528)	(661)
Share of profit of a jointly-controlled entity	2,475	–	–	–	–
Profit before tax	54,099	98,575	317,968	258,240	348,710
Tax	(16,102)	(28,224)	(42,504)	(43,911)	(47,547)
Profit for the year/period	37,997	70,351	275,464	214,329	301,163
Other comprehensive income:					
Exchange differences on translating foreign operations	1,424	2,897	1,925	742	(19)
Other comprehensive income for the year/period, net of tax	1,424	2,897	1,925	742	(19)
Total comprehensive income for the year/period	39,421	73,248	277,389	215,071	301,144
Profit attributable to:					
Equity holders of the Company	37,997	70,351	275,464	214,329	301,163
Total comprehensive income attributable to:					
Equity holders of the Company	39,421	73,248	277,389	215,071	301,144

Note: Our other income and gains for the eight months ended 31 August 2009 included a gain on the disposal of a production line in Zhangjiagang, Jiangsu Province, the PRC of approximately RMB26.6 million during the eight months ended 31 August 2009.

The following paragraphs set out a brief discussion on the revenue breakdown of our products and services, revenue breakdown by geographical areas, gross profit and gross profit margin breakdowns of our products and services, cost of raw materials, selling and distribution costs, administrative expenses and finance costs during the Track Record Period:

Revenue

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

	Year ended 31 December						Eight months ended 31 August	
	2006		**2007**		**2008**		**2009**	
	RMB'000	*% of revenue*	*RMB'000*	*% of revenue*	*RMB'000*	*% of revenue*	*RMB'000*	*% of revenue*
Manufacture and sale of steel pipes								
LSAW steel pipes	800,234	72.8	1,190,292	81.6	2,213,126	84.3	1,270,428	62.9
ERW steel pipes	211,947	19.3	174,290	12.0	201,180	7.7	633,111	31.3
Steel pipes manufacturing services								
LSAW steel pipes	40,054	3.6	44,134	3.0	162,773	6.2	29,721	1.5
ERW steel pipes	20,633	1.9	4,992	0.4	3,738	0.1	2,568	0.1
Others *(Note)*	26,873	2.4	44,320	3.0	43,822	1.7	85,475	4.2
Total revenue	1,099,741	100.0	1,458,028	100.0	2,624,639	100.0	2,021,303	100.0

Note: Others mainly include manufacturing and sale of steel fittings, trading of steel pipes and sale of scrap materials.

The revenue generated from our manufacture and sale and manufacturing services of LSAW steel pipes accounted for approximately 76.4%, 84.6%, 90.5% and 64.4% of our total revenue (i.e. represents a majority portion of our total revenue) for each of the three years ended 31 December 2008 and for the eight months ended 31 August 2009, respectively.

During the Track Record Period, the revenue generated from the manufacture and sale of ERW steel pipes accounted for approximately 19.3%, 12.0%, 7.7% and 31.3%, respectively, of our total revenue. When compared to LSAW steel pipes, technical requirements for the production of ERW steel pipes are relatively lower and the product specifications of ERW steel pipes are, in general, more standardised. The market competition of ERW steel pipe products is thus very keen and the gross profit margin for such products is usually lower than that of LSAW steel pipe products. However, during the eight months ended 31 August 2009, the sales volume of our ERW steel pipes increased by approximately 351.5% and the average selling price increased by approximately 78.3% as compared to those for the eight months ended 31 August 2008, which is mainly attributable to our success in our bid to secure big orders for an aggregate of over 44,000 tonnes of ERW steel pipes from a major customer in the Sultanate of Oman, which our Group has two years' trade relationship with, in July 2008 with a higher average selling price as a result of the customer's special technical requirement for anti-corrosive ERW steel pipes. The revenue generated from the manufacture and sale of such ERW steel pipes to the major customer in the Sultanate of Oman was approximately RMB550.5 million for the eight months ended 31 August 2009 and all the ERW steel pipes in relation to such sales order were delivered during the eight months ended 31 August 2009. Following the completion of this sales order and up to the Latest Practicable Date, our Group did not secure any recurring sales order from that major customer in the Sultanate of Oman and there had been no further sales orders placed by that major customer in the Sultanate of Oman or other customers for similar ERW steel pipes. Due to our project-originated business model, our Directors are not in the position to comment on whether our Group will be able to obtain recurring or further sales orders for similar kind of ERW steel pipes from this major customer in the Sultanate of Oman in the future. If our Group cannot obtain the sales for similar kind of ERW steel pipes from such customer or other customers, our revenue from the manufacture and sale of ERW steel pipes may decrease significantly in the coming years and the profitability of our Group in the future may be adversely affected.

Despite these relatively lucrative orders for ERW steel pipes, our Directors remain convinced that the market potential for LSAW steel pipes is more prominent than that for ERW steel pipes as LSAW steel pipes can be used in more demanding applications, such as high pressure and deep water gas and oil transmission projects, due to their weld strength and quality. As such, we were more focused on the development of our LSAW steel pipe products during the Track Record Period and will continue to do so in the near future with a view to improving our overall gross profit margin while we will still consider to take up profitable sales orders for ERW steel pipes when we have spare production capacity and resources to accommodate those sales orders.

There were significant changes in our Group's product mix, sales mix and geographical revenue segment during the Track Record Period, which changes were to a large extent due to the different place of originations and product specifications of the sales contracts which we secured worldwide and which are project based with no significant correlation with the historical trend of our sales. As such, our Directors believe that the significant changes in our results (and product mix, sales mix and geographical revenue segment) are rather erratic and should not be taken as a general characteristic of the industry in which we operate.

Gross profit

	Year ended 31 December						Eight months ended 31 August			
	2006		2007		2008		2008		2009	
	RMB'000	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*	*RMB'000* (Unaudited)	*% of total*	*RMB'000*	*% of total*
Manufacture and sale of steel pipes										
– LSAW steel pipes	134,504	74.8	198,958	74.8	412,574	76.8	268,947	68.8	203,313	45.4
– ERW steel pipes	19,478	10.8	28,796	10.8	20,375	3.8	1,257	0.3	203,448	45.4
Steel pipes manufacturing services										
– LSAW steel pipes	23,516	13.1	29,120	10.9	103,010	19.2	114,630	29.4	19,523	4.4
– ERW steel pipes	522	0.3	509	0.2	(469)	0.0	(209)	(0.1)	987	0.2
Others *(Note)*	1,856	1.0	8,668	3.3	1,460	0.2	6,168	1.6	20,702	4.6
Total gross profit	179,876	100.0	266,051	100.0	536,950	100.0	390,793	100.0	447,973	100.0

Note: Others mainly include manufacturing and sale of steel fittings, trading of steel pipes and sale of scrap materials.

Gross profit margin

	Year ended 31 December			Eight months ended 31 August	
	2006	2007	2008	2008	2009
	%	%	%	%	%
Manufacture and sale of steel pipes					
– LSAW steel pipes	16.8	16.7	18.6	18.9	16.0
– ERW steel pipes	9.2	16.5	10.1	1.6	32.1
Steel pipes manufacturing services					
– LSAW steel pipes	58.7	66.0	63.4	76.8	65.7
– ERW steel pipes	2.5	10.2	(12.5)	(5.9)	38.4
Others *(Note)*	6.9	19.6	3.3	24.6	24.2
Overall gross profit margin	16.4	18.2	20.5	23.2	22.2

Note: Others mainly include manufacturing and sale of steel fittings, trading of steel pipes and sale of scrap materials.

During the three years ended 31 December 2008, the gross profit margin for the manufacture and sale and manufacturing services of LSAW steel pipes are generally higher than that for the ERW steel pipes due to the higher requirements in production technology and equipment of LSAW steel pipes. However, the gross profit margin for the manufacture and sale of our ERW pipe products for the eight months ended 31 August 2009 was incidentally higher than that for our manufacture and sales of ERW pipes for each of the three years ended 31 December 2008 and for our LSAW steel pipe products during each of the three years ended 31 December 2008 and the eight months ended 31 August 2009, and this is mainly attributable to the fact that (i) we were able to charge a comparatively higher selling price since the major customer in the Sultanate of Oman mentioned under the paragraph headed "Revenue" above demanded a special technical requirement for anti-corrosive ERW steel pipes to be produced; and (ii) we were able to benefit from the drop in per unit fixed costs as a result of the significant increase in sales volume of ERW steel pipes during the eight months ended 31 August 2009. The gross profit and gross profit margin for the manufacture and sale of our ERW steel pipes sales order from that major customer in Sultanate of Oman was approximately RMB187.2 million and 34.0%, respectively, for the eight months ended 31 August 2009.

Moreover, provision of LSAW steel pipes manufacturing services has higher gross profit margin due to its sales and pricing nature as previously discussed. Given the above, any change in our product mix or sales mix from time to time will affect our overall gross profit margin. During the Track Record Period, our changes in sales mix and product mix were basically driven by the specifications of steel pipes required by our customers on a case-by-case basis. Nevertheless, our production facilities are equipped with comprehensive production equipment that enable us to provide a wide range of steel pipe products and to cope with the ever-changing demand of our customers.

Cost of raw materials

The raw materials that we use for the manufacturing of our steel pipes include steel plates, steel coils and welding materials. For each of the three years ended 31 December 2008 and the eight months ended 31 August 2009, cost of such raw materials accounted for approximately 91.3%, 92.2%, 92.5% and 90.9%, respectively, of our total cost of sales. All of our customers have entered into purchase contracts with us on a project by project basis and the delivery period of such contracts usually lasts from several weeks to several months, and some contracts may last as long as over one year. As both product price and quantity are, in general, specified in the purchase contract, we need to set the product price with reference to the prevailing market prices of the raw materials at the time of entering into the purchase contract. As such, fluctuations in raw material prices have an effect on our profit margin. Nevertheless, in order to mitigate the impact of increase in raw material prices, since the first quarter of 2006, we have adopted the policy of entering into back-to-back purchase contract with our suppliers once sales contracts were entered into with our customers in order to fix the cost of raw materials with our suppliers in relation to specific sales contracts.

Selling and distribution costs

Our selling and distribution costs principally consist of expenses on transportation, commissions, advertising, salary and staff welfare, entertainment, custom clearance, consumables and travelling. For each of the three years ended 31 December 2008 and the eight months ended 31 August 2009, our selling and distribution costs amounted to approximately RMB47.4 million, RMB63.1 million, RMB57.2 million and RMB51.7 million, respectively. As a percentage of total revenue, our selling and distribution costs have dropped from approximately 4.3% for the two years ended 31 December 2007 to approximately 2.2% for the year ended 31 December 2008 and approximately 2.6% for the eight months ended 31 August 2009. The drop in selling and distribution costs to revenue ratio in 2008 was mainly attributable to the adoption of more stringent cost control on our expenses in relation to our sales and marketing activities and the absorption of transportation cost by a number of our domestic customers. Please refer to the paragraphs headed "Period-to-period analysis of our Group's trading record" and "Year-to-year analysis of our Group's trading record" in the section headed "Financial information" in this prospectus for more details of the period-to-period and year-to-year fluctuations of our Group's selling and distribution costs during the Track Record Period.

Administrative expenses

Administrative expenses mainly represent administrative staff salaries, office expenses, travelling expenses, entertainment, staff social insurance, staff welfare, bank charges, certain PRC tax payments, amortisation of prepaid land lease payments, professional fees and provision for bad debts. For each of the three years ended 31 December 2008 and for the eight months ended 31 August 2009, our administrative expenses amounted to approximately RMB37.0 million, RMB48.6 million, RMB90.0 million and RMB48.8 million, respectively. As a percentage of revenue, our administrative expenses are relatively stable and maintained at approximately 3.4% for the three years ended 31 December 2008 and approximately 2.4% for the eight months ended 31 August 2009. Please refer to the paragraphs headed “Period-to-period analysis of our Group’s trading record” and “Year-to-year analysis of our Group’s trading record” in the section headed “Financial information” in this prospectus for more details of the period-to-period and year-to-year fluctuations of our Group’s selling and administrative expenses during the Track Record Period.

Interest-bearing loans and finance costs

During the Track Record Period, we financed our daily operations, purchase of raw materials and acquisition of fixed assets mainly by internally generated cash as well as interest-bearing loans. As at 31 December 2006, 2007 and 2008 and 31 August 2009, our outstanding balance of interest-bearing bank loans and government loans amounted to approximately RMB690.5 million, RMB1,084.5 million, RMB748.7 million and RMB727.7 million, respectively. As commercial banks in the PRC determine the interest rates on their loans with reference to the benchmark lending rates published by Peoples’ Bank of China, we also have interest-bearing bank loan denominated in US dollar during the Track Record Period, with interest rates benchmarked to the London interbank offered rates for US dollar loans. For each of the three years ended 31 December 2008 and the eight months ended 31 August 2009, our finance costs were approximately RMB43.2 million, RMB45.4 million, RMB65.2 million and RMB28.8 million, respectively, which represented approximately 3.9%, 3.1%, 2.5% and 1.4%, respectively, of our Group’s revenue. As at the Latest Practicable Date, we had approximately RMB1,595.7 million unutilised banking facilities available to us. If we decide to borrow additional interest-bearing bank loans in the future or should there be any increase in the abovementioned benchmark lending rates, our finance costs will increase and it would negatively affect our Group’s profitability.

For additional information on the financial performance of our Group during the Track Record Period, please refer to the section headed “Financial information” in this prospectus and Appendix I to this prospectus.

Subsequent settlement of trade receivables up to 31 December 2009

As at 31 August 2009, the balance of our trade receivables was approximately RMB577.5 million, of which approximately RMB514.1 million, or approximately 89.0%, has been settled by our customers up to 31 December 2009.

RISK FACTORS

We consider that there are certain risks involved in our business and operations and in connection with the Global Offering. Such risks can be categorised into (i) risks relating to our business; (ii) risks relating to the steel pipe industry; (iii) risks relating to the PRC; and (iv) risks relating to the Global Offering. These risks are set out in the section headed “Risk factors” in this prospectus, the headings of which are as follows:

(i) Risks relating to our business

- Change of rules and regulations, including anti-dumping and countervailing measures, by foreign countries may affect our exports sales into those countries.

- We may not be able to secure sales orders for new projects through tenders or from new and/or existing customers.

- We rely on our key management personnel.

- We rely on supply of principal raw materials and a decreased supply of raw materials may adversely affect our operations.
- We derive a significant portion of our total revenue from a few customers.
- We derive a significant portion of our revenue from a single or a few market(s).
- We did not formally adopt any hedging policy to protect ourselves against any fluctuations in foreign exchange rate.
- We relied on bank borrowings during the Track Record Period and may continue to depend on bank borrowings in the near future for our operations.
- We lack proper title certificates for certain properties in the PRC.
- Failure to exercise tight credit and inventory control may adversely affect our results.
- A material disruption to our operations may adversely affect our revenue and profits.
- We may not be able to renew certifications which are significant for our operations.
- We may not be able to maintain our profit margin in the future.
- We may not be able to sustain our rapid business growth that we have experienced during the Track Record Period.
- We may not be able to implement our future plans successfully.
- We could become involved in intellectual property disputes.
- We have experienced net cash outflow from operating activities in the year ended 31 December 2007 and recorded net current liabilities as at 31 December 2007.
- Our historical dividends may not be indicative of our future dividends.
- It may be difficult to effect service of process upon us or our Directors or senior officers who reside in the mainland China or to enforce against them in the mainland China any judgements obtained from non-PRC courts.
- Our business and reputation may be affected by product liability claims, litigation, complaints or adverse publicity.
- We may be unable to recover retention money from our customers.
- We may continue to engage in certain sales of products to third parties for end-use by countries, governments, entities, or persons targeted by United States economic sanctions.
- We may be affected by the relationships between PRC and foreign countries from which PRC sources oil and gas.
- Our operations may be affected by inherent risks and occupational hazards.
- Power shortages or substantial increase in energy costs may adversely affect our operations.

(ii) Risks relating to the steel pipe industry

- We face intense competition.
- We rely on energy, infrastructure and construction projects which may be adversely affected by recent global financial crisis.
- We are subject to fluctuations in steel prices.
- We are in a capital intensive industry.
- Changes in the laws and regulations of the PRC will have a significant impact on our business.
- Fluctuation in market demand for and/or prices of oil and gas may affect the demand of our steel pipe products.

(iii) Risks relating to the PRC

- Uncertainty in the PRC legal system may make it difficult for us to predict the outcome of any disputes that we may be involved in.
- Our results and financial position are highly susceptible to changes in political, economic and social conditions of the PRC as our revenue is mainly derived from our operations in the PRC.
- There is no assurance that we will continue to receive the preferential tax treatment currently enjoyed by our Group.
- Future movements in exchange rates may adversely affect our financial position and results of operations.
- Restriction on currency conversion may limit our ability to remit dividends and affect our business.
- Any increase in interest rates in the PRC may materially affect our results.
- The outbreak of any severe communicable diseases in the PRC, if uncontrolled, could affect the financial performance and prospects of our Group.
- Import duties and effects of WTO accession.
- Payment of, and tax exemptions on, dividends are subject to restriction under the PRC laws.
- Enforcement of judgements obtained from non-PRC courts may be difficult.
- PRC regulations may limit our ability to make additional capital contributions to our subsidiaries in the PRC.
- The new PRC Labor Contract Law may have an impact on our Group's operations and our labor costs may increase as we may be liable to fines and penalties for any material breach of the new law.
- Acts of God, acts of war and other disasters could affect our business.

(iv) Risks relating to the Global Offering

- There has been no prior public market for the Shares.
- The market price of our Shares may be volatile.
- Concentrated ownership and the Controlling Shareholders may exert substantial influence over us and may not act in the best interests of our independent Shareholders.
- There may be dilution of shareholding as a result of additional equity fund raising.
- Statistics and industry information have come from various publicly available government official publications which may not be reliable.
- There are risks associated with forward-looking statements contained in this prospectus.
- Prospective investors should not place any reliance on any information contained in the press coverage regarding anti-dumping and countervailing measures.

PROFIT ESTIMATE FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

The following unaudited pro forma estimated earnings per Share for the financial year ended 31 December 2009 has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Global Offering as if it had taken place on 1 January 2009. This unaudited pro forma estimated earnings per Share has been prepared for illustrative purposes only and, because of its nature, it may not give a true picture of the financial results of our Group following the Global Offering.

Estimated combined net profit attributable to the equity holders of our Company for the financial year ended 31 December 2009	not less than RMB400.0 million (equivalent to approximately HK$456.0 million)
Unaudited pro forma estimated earnings per Share[2]	not less than RMB0.400 (equivalent to approximately HK$0.456)

Notes:

1. Our Group's estimated profit of not less than RMB400.0 million for the year ended 31 December 2009 was considerably contributed by a sales order for over 44,000 tonnes of ERW pipes to a customer in the Sultanate of Oman during the eight months ended 31 August 2009. The revenue and gross profit generated from this sales order during the eight months ended 31 August 2009 amounted to approximately RMB550.5 million and RMB187.2 million, respectively, according to the financial information prepared by the management of our Group representing approximately 27.2% and 41.8%, respectively, of our total revenue and total gross profit during the relevant period. Following the completion of this sales order in August 2009 and up to the Latest Practicable Date, our Group had not secured any recurring sales order from this customer or other customers in relation to our ERW steel pipes with comparable profit margin.

2. The calculation of the unaudited estimated earnings per Share on a pro forma fully diluted basis is based on the estimated combined net profit attributable to equity holders of our Company for the financial year ended 31 December 2009 assuming that our Company had been listed on the Main Board since 1 January 2009 and a total of 1,000,000,000 Shares (including the Shares in issue as at 1 January 2009, Shares under the Capitalisation Issue and the Global Offering) had been in issue during that financial year, but does not take into account any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme or which may be allotted and issued or repurchased by our Company pursuant to the general mandates for the allotment and issue or repurchase of the Shares referred to under the paragraph headed "Resolutions in writing of the sole Shareholder passed on 23 January 2010" in Appendix VI to this prospectus.

3. Our Directors have made the following principal assumptions in the preparation of the profit estimate:

   – There was no material changes in existing political, legal, fiscal, market or economic conditions in Hong Kong, the PRC or any other countries or territories in which we currently operate or which are otherwise material to our income.

   – Our Group's estimated profit for the year ended 31 December 2009 was not affected by anti-dumping or countervailing measures imposed by the US, EU and other countries during the relevant period.

   – Other than the anti-dumping or countervailing measures imposed by the US, EU and other countries, there was no changes in policies, legislation, regulations, or practices in Hong Kong, the PRC or any other countries or territories in which we operate or have arrangements or agreements (including, but not limited to, those in relation to land acquisition, sales of steel pipes and taxation of sales income derived therefrom), which may adversely affect our business or operations. Further, with respect to the steel pipe industry in particular, the respective jurisdictions of our overseas customers does not impose material changes, or impose additional austerity measures, to dampen the sales of our Group's products and prices of our Group's products.

   – There was no material changes in interest rates from those currently prevailing as at the date of this prospectus.

   – There had been no material changes in our Group's operational, trading and financial position since our latest JCOE production line in Jiangyin, Jiangsu Province, the PRC commenced operation in September 2009 on the basis that:

     (i) This production line was still in the trial production stage during the four months ended 31 December 2009 and according to the unaudited financial information of our Group, the balance of inventory as per the accounting records of the new production line was nil as at 31 December 2009.

     (ii) According to the unaudited financial information of our Group, the addition to property, plant and equipment in accordance with the accounting records for the four months ended 31 December 2009 was approximately RMB11.5 million which represents approximately 2.3% of our Group's unaudited balance of property, plant and equipment as at 31 December 2009.

     (iii) According to the unaudited financial information of our Group, the operating costs incurred by this production line recognised as expenses for the four months ended 31 December 2009 was approximately RMB877,000 which only represents approximately 0.22% of our Group's estimated profit for the year ended 31 December 2009.

     (iv) This production line did not experience any significant start up problems since the commencement of its trial production that might led to the incurrence of any substantial extra costs for the four months ended 31 December 2009.

   – There was no material changes in the bases or rates of taxation or duties in the PRC or any of the countries in which we operate or in which we are incorporated or registered.

   – There was no material changes in foreign currency exchanges rates, interest rates and inflation rates from those currently prevailing.

STATISTICS OF THE GLOBAL OFFERING

	Based on an Offer Price of HK$4.50 per Share	**Based on an Offer Price of HK$6.15 per Share**
Market capitalisation(1)	HK$4,500 million	HK$6,150 million
Unaudited pro forma adjusted net tangible assets per Share(2)	HK$2.04	HK$2.44
Prospective price/earning multiple(3)	9.9 times	13.5 times

Notes:

1. The market capitalisation does not take into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandates for the allotment and issue or repurchase of our Shares referred to under the paragraph headed "Resolutions in writing of the sole Shareholder passed on 23 January 2010" in Appendix VI to this prospectus.

2. The unaudited pro forma adjusted net tangible assets per Share is arrived at after making the adjustments set forth under the paragraph headed "Unaudited pro forma adjusted combined net tangible assets" in Appendix II in this prospectus and on the basis of a total of 1,000,000,000 Shares in issue and expected to be issued immediately following completion of the Global Offering but does not take into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandates for the allotment and issue or repurchase of our Shares referred to under "Resolutions in writing of the sole Shareholder passed on 23 January 2010" in Appendix VI to this prospectus.

   Appendix II to this prospectus sets forth the calculation of the unaudited pro forma adjusted net tangible assets per Share.

3. The prospective price/earnings multiple on a pro forma basis is calculated based on the estimated earnings per Share on a pro forma basis of approximately HK$0.456 for the financial year ended 31 December 2009 at the maximum and minimum indicative Offer Price.

If the Over-allotment Option is exercised in full, the number of Shares in issue will increase to 1,045,000,000 Shares (without taking into account any Shares that may be allotted and issued pursuant to the exercise of any options that may be granted under the Share Option Scheme).

DIVIDEND POLICY

In February 2009 and April 2009, Lessonstart declared a special dividend of a total sum of HK$56.4 million to its then sole shareholder, namely, Bournam. There can be no assurance that in the future we will pay dividends at a similar level to the past or at all, and potential investors should be aware that the amount of dividends we paid in the past should not be used as a reference or basis upon which future dividends are determined. The payment and the amount of any dividends in future will depend on various factors, including but not limited to, the results of operations, cash flows, financial position, statutory and regulatory restrictions on the payment of dividends by us and future prospects. Holders of the Shares will be entitled to receive such dividends pro rata according to the amounts paid up or credited as paid up on the Shares. The declaration, payment, and amount of dividends will be subject to our Board's discretion.

Dividends may be paid only out of our distributable profits as permitted under the relevant laws. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations. There can be no assurance that we will be able to declare or distribute any dividend in the amount set out in any of our plans or at all. Our dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future.

Subject to the foregoing, our Directors currently intend to recommend dividends which would amount in total to not less than 30% of the net profit attributable to our Shareholders for full financial years subsequent to the Global Offering. Such intention does not amount to any guarantee or representation or indication that we must or will declare and pay dividend in such manner or declare and pay any dividend at all. Cash dividends on the Shares, if any, will be paid in Hong Kong dollars.

PROPOSED USE OF NET PROCEEDS FROM THE NEW ISSUE

Our Directors intend to apply the net proceeds from the New Issue to finance our capital expenditure and business expansion, strengthen our capital base and improve our overall financial position. Assuming that the Over-allotment Option is not exercised and based on the Offer Price of HK$5.33 per Offer Share (being the mid-point of the indicative Offer Price range between HK$4.50 and HK$6.15 per Offer Share), the net proceeds from the New Issue, after deduction of underwriting commission and estimated expenses payable by the Company, are estimated to be approximately HK$1,246.6 million. Our Directors currently intend to apply such net proceeds from the New Issue as follows:

- as to approximately HK$872.6 million (equivalent to approximately RMB765.5 million) or approximately 70% of the net proceeds from the New Issue, for the planned establishment of a new production base in Lianyungang, Jiangsu Province, the PRC in addition to our existing production facilities as disclosed under the paragraph headed "Production facilities" in the section headed "Business" in this prospectus with a view to capturing business opportunities in Yangtze delta area, of which as to approximately HK$262.0 million (equivalent to approximately RMB229.8 million) or 21% is expected to be used for the purchase of a parcel of land required, as to approximately HK$87.3 million (equivalent to approximately RMB76.6 million) or 7% is expected to be used for the construction of the building structures to house the production facilities and as to approximately HK$436.0 million (equivalent to approximately RMB382.5 million) or 35% is expected to be used for the purchase of the production equipment and machinery which includes a new JCOE production line to be used for the manufacture of LSAW steel pipes with an annual production capacity of approximately 300,000 tonnes of LSAW steel pipes and an ancillary steel plate processing line to provide the requisite processing service of steel plates for, among others, our production of steel pipes; and as to the remaining of approximately HK$87.3 million (equivalent to approximately RMB76.6 million) or 7% for the acquisition of other ancillary production facilities such as a casing pipe production line for the above-mentioned new production base in Lianyungang, Jiangsu Province, the PRC;

- as to approximately HK$124.7 million (equivalent to approximately RMB109.4 million) or approximately 10% of the net proceeds from the New Issue, among which 9.5% for the establishment of one new production line for LSAW steel pipes in relation to the formation of a joint venture at a strategic overseas location (no specific conclusion or legally binding conclusion was made as at the Latest Practicable Date), and the modification and technical enhancement of an ancillary production line in Panyu, Guangdong Province, the PRC into a completed LSAW steel pipes production line, the planned annual production capacity of each production line being 300,000 tonnes; and as to the remaining for the potential partnership with and potential acquisition of other steel pipes manufacturers and/or other complementary production facilities (no target had yet been identified as at the Latest Practicable Date);

- as to approximately HK$62.3 million (equivalent to approximately RMB54.7 million) or approximately 5% of the net proceeds from the New Issue, for the repayment of certain bank loans, the details of which are set out below:

Name of bank	Drawdown date	Maturity date	Total principal amount *RMB'000*	Total amount to be repaid *RMB'000*	Total remaining balance *RMB'000*	Interest rate	Loan purpose
Industrial and Commercial Bank of China (Panyu Branch)	15 May 2009 to 26 October 2009	26 April 2010 to 18 May 2010	67,500	54,700	12,800	4.86% to 5.31%	Purchase of raw materials

- as to approximately HK$24.9 million (equivalent to approximately RMB21.8 million) or approximately 2% of the net proceeds from the New Issue, for the expansion of our overseas distribution network, such as applying approximately RMB17.0 million and RMB4.8 million respectively for the establishment of new marketing team and recruitment of sales and marketing personnel from overseas;

- as to approximately HK$37.4 million (equivalent to approximately RMB32.8 million) or approximately 3% of the net proceeds from the New Issue, for the enhancement of our research and development capability, such as recruitment of additional research and development personnel and dedicate more resources to in-house training; and

- the remaining proceeds will be used as our general working capital.

We will not receive any of the proceeds from the sale of Sale Shares by the Selling Shareholder. Assuming an Offer Price of HK$5.33 per Offer Share (being the mid-point of the indicative Offer Price range between HK$4.50 to HK$6.15 per Offer Share, and assuming that the Over-allotment Option is not exercised), the Selling Shareholder will receive approximately HK$254.9 million after deduction of underwriting commission and estimated expenses payable by the Selling Shareholder.

In the event that the Over-allotment Option is exercised in full and the Offer Price is finally determined at the highest end of the indicative Offer Price range between HK$4.50 to HK$6.15 per Offer Share, the net proceeds of the New Issue will increase by approximately HK$467.4 million to approximately HK$1,714.0 million. Our Directors intend to apply such additional net proceeds for the above usages in the proportions as referred to above.

In the event that the Over-allotment Option is exercised in full and the Offer Price is finally determined at the mid-point of the indicative Offer Price range between HK$4.50 and HK$6.15 per Offer Share, the net proceeds of the New Issue will increase by approximately HK$232.6 million to approximately HK$1,479.2 million. Our Directors intend to apply such additional net proceeds for the above usages in the proportions as referred to above.

In the event that the Over-allotment Option is exercised in full and the Offer Price is finally determined at the lowest end of the indicative Offer Price range between HK$4.50 and HK$6.15 per Offer Share, the net proceeds of the New Issue will reduce by approximately HK$5.0 million to approximately HK$1,241.6 million. In such event, our Directors intend to reduce the intended use of proceeds for the above stated purposes on pro-rata basis and we will finance such shortfall by internal cash resources and/or additional bank borrowings, as and when appropriate.

In the event that the Over-allotment Option is not exercised and the Offer Price is finally determined at the highest end of the indicative Offer Price range between HK$4.50 and HK$6.15 per Offer Share, the net proceeds of the New Issue will increase by approximately HK$198.9 million to approximately HK$1,445.5 million. Our Directors intend to apply such additional net proceeds for the above usages in the proportions as referred to above.

In the event that the Over-allotment Option is not exercised and the Offer Price is finally determined at the lowest end of the indicative Offer Price range between HK$4.50 and HK$6.15 per Offer Share, the net proceeds of the New Issue will reduce by approximately HK$201.4 million to approximately HK$1,045.2 million. In such event, our Directors intend to reduce the intended use of proceeds for the above stated purposes on pro-rata basis and we will finance such shortfall by internal cash resources and/or additional bank borrowings, as and when appropriate.

To the extent that the net proceeds from the New Issue are not immediately required for the above purposes or if we are unable to effect any part of our future development plans as intended, we may hold such funds in short-term deposits with licensed banks and/or authorised financial institutions in Hong Kong and/or the PRC for so long as it is in our best interest. We will also disclose the same in the relevant annual report.