Prospective investors should consider carefully all the information set forth in this prospectus and, in particular, should consider the following risks and special considerations in connection with an investment in our Company before making any investment decision in relation to the Offer Shares. The occurrence of any of the following risks may have a material adverse effect on the business, results of operations, financial conditions and future prospects of our Group. Additional risks not currently known to us or that we now deem immaterial may also harm us and affect your investment.

This prospectus contains certain forward-looking statements regarding our plans, objectives, expectations, and intentions which involve risks and uncertainties. Our Group's actual results could differ materially from those discussed in this prospectus. Factors that could cause or contribute to such differences include those discussed below as well as those discussed elsewhere in this prospectus. The trading price of the Offer Shares could decline due to any of these risks and you may lose all or part of your investment.

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 export a significant 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%, respectively, of our total revenue. Exports sales accounted for approximately 62.5% of our unaudited total revenue for the eleven months ended 30 November 2009. Any change of rules and regulations by foreign countries may affect our sales to those countries. Further, due to heightened competition in international trade, foreign countries may from time to time impose anti-dumping or countervailing measures or other trade restrictions such as imposition of duties on any goods exported by the PRC (including our steel pipe products) so as to protect their own industries. The EU has imposed anti-dumping duties on steel pipes and tube and pipe fittings produced in the PRC pursuant to Council Regulation 1256/2008 with effect from 20 December 2008, Council Regulation 926/2009 with effect from 7 October 2009, and Council Regulation 803/2009 with effect from 5 September 2009. For details, please refer to the paragraph headed "Anti-dumping duties in the EU" in the section headed "Industry overview" in this prospectus. The United States also has several anti-dumping and countervailing orders and investigations in place in relation to certain steel pipes and pipe fittings and also oil country tubular goods manufactured in the PRC.

However, based on《關於美國對我國石油管材產品及輪胎產品案件應對工作的通知》(Notice of Response concerning the Cases of the United States of America on Petroleum Pipe Products and Tire Products in the PRC*) promulgated by 廣州市對外貿易經濟合作局 (Foreign Trade and Economic Cooperation Bureau of Guangzhou City*) on 8 May 2009, our steel pipe products are not listed as covered by the pending anti-dumping and countervailing case on oil country tubular goods under such anti-dumping or countervailing investigation. 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 of the above orders and investigations, 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 (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 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, 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. Our Directors have further confirmed that, to the best of their knowledge, they are not aware of any particular orders, rules and regulations or investigations in any other foreign countries which may affect our exports sales. As we intend to continue to further explore overseas markets for steel pipes, and we expect exports sales to contribute to a significant portion of our revenue, any anti-dumping or countervailing measures against any of our steel pipe products in any foreign countries to which we sell such products may have an adverse impact on our revenues, cost of sales and profits. However, we cannot assure you that these foreign countries will not initiate any anti-dumping or countervailing investigations or that our steel pipe products, though currently not subject to any applicable anti-dumping or countervailing orders or rules, will not be so included in the future.

In addition, due to the imposition of anti-dumping and countervailing measures in various countries, including the United States and the EU, it may be anticipated that some of our competitors (be they in the PRC or otherwise) may attempt to avoid or minimise their risk exposure to these measures by, among other means, shifting their sales to those markets which do not have anti-dumping and countervailing measures from the original targeted United States or EU markets and/or dumping their steel pipe inventories with substantial price cut and/or switching their productions to those LSAW steel pipes with specifications not falling under the scope of the relevant anti-dumping measures, leading to more intense competition in steel pipe market. In addition, any duties imposed by such anti-dumping and countervailing measures may increase the price of our exported products as compared to those of our competitors from other countries that are not subject to such anti-dumping and countervailing measures. As a result, our competitiveness against such other foreign pipe manufacturers may be adversely affected which may lead to decrease in our exports sales and increase in our cost of sales.

Further, to the best knowledge of our Directors, under the anti-dumping rules 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. As a result of these special rules, if an anti-dumping investigation is initiated with respect to products from the PRC, the proceeding is more likely to result in a finding of higher dumping margins. As such, if any of our Company’s products is subject to any anti-dumping proceeding, our exports sales and cost of sales may be adversely affected.

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

A significant portion of our revenue is generated from pipeline or other infrastructure projects that are mainly project-originated and non-recurring in nature. Our sales in the domestic market are mainly made through open or invited tenders or through direct sales. Our Group also cooperates with the Principal Contractors (as defined in the section headed “Business” in this prospectus) to participate in the tenders of the supply of our steel pipe products in overseas projects. We will provide our commercial proposals in relation to the supply of our steel pipe products to the Principal Contractors, who would then submit bidding documents for the relevant projects. As such, our financial performance may be dependent on our ability to maintain our bidding eligibility, submit competitive bids and continually secure sales orders.

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 fails to obtain the sales for similar kind of ERW steel pipes from such or other customers, our revenue from manufacture and sale of ERW steel pipes may decrease significantly in the coming year and the profitability of our Group in the future may be inevitably deteriorated.

We cannot assure you that we will be able to continuously and consistently secure new sales orders from new customers or that these sales orders will be profitable or to secure new sales orders from our existing customers. If we are unable to secure new profitable sales orders, our Group's business, financial condition and results of operations may be adversely affected.

We rely on our key management personnel.

Our success is, to a significant extent, attributable to the management skill and sales experience of Mr. Chen, the chairman of our Company and Ms. Chen Zhao Nian and Ms. Chen Zhao Hua, all being our executive Directors. They have been playing a significant role in the development and daily operations of our Group. Each of our executive Directors has entered into a service contract with our Company for an initial fixed term of three years which will commence on 1 February 2010. Should any of them leave our Group and we are unable to find any suitable replacement, our business may be adversely affected.

In addition, we value the contribution of our senior management and technical staff. We believe our remuneration packages and incentive schemes are sufficient to retain our senior executives and technical personnel. Nevertheless, there is no assurance that our Group will be able to retain or hire qualified management and technical personnel at all times in the future. If we encounter any difficulty in recruiting or retaining competent personnel to manage our business operation as well as to market and sell our products, our operations and business may be adversely affected.

We rely on supply of principal raw materials and a decreased supply of raw materials may adversely affect our operations.

Our Group's production requires the supply of raw materials comprising primarily steel plates and steel coils. Most of the steel plates and steel coils used by our Group are purchased from suppliers in the PRC. As our Group maintains close business relationships with a number of suppliers for principal raw materials and we purchase a large proportion of raw materials from them directly, our Directors believe that we can benefit from assured and in-time deliveries. In each of the three years ended 31 December 2008 and the eight months ended 31 August 2009, the five largest suppliers, together, accounted for approximately 56.4%, 56.7%, 47.4% and 58.5% respectively, and the largest supplier accounted for approximately 20.8%, 17.4%, 13.3% and 20.7% respectively of our Group's total purchases of raw materials, including steel coils and plates. For each of the three years ended 31 December 2008 and the eight months ended 31 August 2009, cost of steel plates and steel coils accounted for approximately 90.4%, 90.9%, 91.7% and 90.6%, respectively, of our total cost of sales. Given that our production depends on the supply of steel plates and steel coils, our Group's business may be affected by decreases in the supply of such raw materials.

Our Directors consider that most of the raw materials used by our Group are readily available from suppliers in the PRC market. As our steel pipe products are produced based on committed orders from our customers with different specifications such as length, outside diameters, wall thickness and quality of steel to be used, we order our raw materials on a case-by-case basis according to our customers' needs. We have not entered into any long-term supply agreement with any of our suppliers in relation to the supply of raw materials and there is no assurance that our Group will be able to secure stable and sufficient supply of raw materials including steel coils and steel plates (or at a stable price) from these suppliers in the future. During the Track Record Period, we did not experience any material shortage of steel coils or steel plates. However, the supply of our steel plates and steel coils may be affected by factors that are beyond our control, such as the changes in the rules and regulations in the PRC including《鋼鐵產業調整和振興規劃》(Blueprint for the Adjustment and Revitalization of the Steel Industry*) and《國務院批轉發展改革委等部門關於抑制部分行業產能過剩和重複建設引導產業健康發展若干意見的通知》(國發 [2009]38號) (Circular of the State Council on the Approval on Some Opinions Given by the National Development and Reform Commission and Other Departments on Containing Surplus Production Capacity and Repetitive Construction in Certain Industries and Facilitating Healthy Industrial Development (Guo Fa [2009] No. 38)*), and any fluctuations in the supply of steel may adversely affect our operations and financial conditions. For details of these PRC laws and regulations, please refer to the paragraph headed "PRC laws and regulations governing the steel industry" in the section headed "Industry overview" in this prospectus. As such, we cannot assure you that we will continue to have steady and adequate supply of raw materials in the future. If we are unable to secure steady and adequate supply of raw materials (and in time deliveries thereof), our Group's business, financial condition and results of operations may be adversely affected.

We derive a significant portion of our total revenue from a few customers.

Our ability to maintain close and mutual beneficial relationships with our customers is important to our ongoing growth and profitability. Although our Group's sales to specific customers vary from year to year and our customer base is diverse and broad, we derive a significant portion of our total revenue from a few major customers. For each of the three years ended 31 December 2008 and the eight months ended 31 August 2009, our five largest customers accounted for approximately 48.1%, 37.1%, 48.0% and 57.1%, respectively, of our revenue. For the same period, our largest customer accounted for approximately 18.8%, 9.2%, 14.0% and 27.2% of our revenue respectively.

There is no assurance that any of our major customers will continue to purchase products from us at the same level, or at all, as they have done so historically. Should any of our major customers materially reduce their purchases from us or terminate their business relationships with us, our business and financial performance may be adversely affected.

We derive a significant portion of our revenue from a single or a few market(s).

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:

	Year ended 31 December						**Eight months ended 31 August**	
Market	**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	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

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% of our total revenue were generated from the customers in the PRC for each of the three years ended 31 December 2008 and the eight months ended 31 August 2009, respectively. 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 that 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 for each of the three years ended 31 December 2008 and the eight months ended 31 August 2009, 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. The pace of economic growth in the PRC has slowed down since the fourth quarter of 2008. The PRC government, along with a number of leading countries around the world, expressed its concern that the PRC's GDP would grow at a lower rate in 2009 or beyond than in the past. We cannot assure you that the PRC's economy will continue to grow or that its growth will be steady or occur in the geographical regions or economic sectors from which we benefit. Should there be any material adverse change in the political, economic, legal or social conditions in the PRC and we are unable to divert sales to other markets outside the PRC, our revenue, profitability and prospects may be adversely affected.

We did not formally adopt any hedging policy to protect ourselves against any fluctuations in foreign exchange rate.

During the Track Record Period, our exports sales increased by 58.8% from approximately RMB500.2 million for the year ended 31 December 2006 to approximately RMB794.4 million for the year ended 31 December 2007 and by 72.7% from that for the year ended 31 December 2007 to approximately RMB1,372.0 million for the year ended 31 December 2008. Also, our exports sales increased by 62.4% from approximately RMB781.2 million for the eight months ended 31 August 2008 to approximately RMB1,268.6 million for the eight months ended 31 August 2009. As a result of our increasing exports sales, during the Track Record Period, we entered into a few hedging transactions for amounts denominated in US dollars to be settled in more than three months without formally adopting any hedging policy to protect ourselves against any fluctuations in foreign exchange rate. Such hedging transactions are governed by certain foreign currency forward contracts we entered into with a domestic bank in the PRC, with a total contract sum of approximately US$7.2 million and pursuant to which we were required to purchase the equivalent amount of Renminbi at a fixed exchange rate on certain specified future dates by settlement denominated in US dollars. The relevant transactions were entered into and fully settled in 2008. A loss of approximately RMB768,000 is recorded in the item of exchange loss in our Group's statements of comprehensive income included in the accountants' report as set out in Appendix I to this prospectus. Except as aforesaid, our Group had not entered into any hedging transactions during the Track Record Period and we did not have any outstanding hedging contracts as at the Latest Practicable Date.

As such we may continue to be subject to foreign exchange risk and our results may be adversely affected in the event that our revenue contribution from our exports sales continuously increases while Renminbi continuously appreciates against US dollars in the future.

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.

During the Track Record Period, our operations were partly financed by bank borrowings. As at 31 December 2006, 2007 and 2008 and 31 August 2009, our bank borrowings, which included both short-term and long-term borrowings, amounted to approximately RMB680.5 million, RMB1,081.1 million, RMB748.7 million and RMB727.7 million, respectively. As disclosed in the section headed "Future plans and use of proceeds" in this prospectus, we intend to use approximately HK$62.3 million (equivalent to approximately RMB54.7 million) from the net proceeds from the New Issue to repay certain bank borrowings of our Group. During the Track Record Period, total banking facilities available to our Group amounted to approximately RMB826.0 million, RMB1,438.3 million, RMB1,484.6 million and RMB1,977 million, respectively, of which approximately RMB237.6 million, RMB402.1 million, RMB756.7 million and RMB1,235.9 million, respectively, were not utilised. Cash and cash equivalents as at 31 December 2006, 2007 and 2008 and 31 August 2009 amounted to approximately RMB115.2 million, RMB149.8 million, RMB160.2 million and RMB217.3 million, respectively. We expect to fund our business operations and capital expenditure through internally-generated fund as well as bank borrowings after the Listing. While our Directors anticipate that with the net proceeds from the New Issue, our reliance on bank borrowings would reduce, we may still require bank borrowings (either by renewal of existing short-term loans or obtaining new facilities) to finance our business operations and expansion plans.

As at 30 November 2009, being the latest practicable date for the purpose of ascertaining our indebtedness position, the amount of our indebtedness amounted to approximately RMB769.0 million. As at 31 December 2006, 2007 and 2008 and 31 August 2009, the gearing ratios of our Group were approximately 63.3%, 62.7%, 38.8% and 35.1%, respectively, which were calculated based on the summation of bank borrowings, government loans and amounts due to Mr. Chen divided by total assets. There is no assurance that we will always be able to borrow from banks and other financial institutions to finance our business, operations and capital expenditure. In the event that the banks and other financial institutions providing existing banking and credit facilities do not continue to extend similar or more favourable facilities to us and we fail to obtain alternative banking and credit facilities on comparable terms, our business and financial position may be adversely affected.

We lack proper title certificates for certain properties in the PRC.

Of the 16 major buildings and structures in our factory complex in Shiji Town, Panyu, Guangdong Province, the PRC that we own and occupy, we have not obtained valid building ownership certificates for 10 buildings and structures with a total gross floor area of approximately 27,302 sq.m., including a backup workshop, an anti-corrosive production plant, a ERW steel pipes ancillary workshop and other supporting facilities. Our Group has applied to the relevant authorities for the building ownership certificates for these buildings and structures. As advised by our legal advisers as to PRC law, as PCKSP had started using such buildings and structures before completion of the required inspection, our Group may be subject to a fine of 2% to 4% of the value of the project contract, which our Directors estimate the maximum amount of such fine is approximately RMB400,000 (equivalent to approximately HK$456,000). If there is any change of the position of the relevant local authorities regarding issuance of such certificates, our Group may incur an additional estimated cost of approximately RMB8 million to re-construct these buildings and structures. Moreover, we have not yet obtained the valid building ownership certificate for a new workshop located in Shiji Town, Panyu, Guangdong Province, the PRC with a gross floor area of approximately 9,993.6 sq.m., as it is still under construction. If we are evicted from the above properties for such non-compliance or the lack of valid certificate, our business operations may be disrupted and our financial performance may be adversely affected.

Failure to exercise tight credit and inventory control may adversely affect our results.

Given that we produce our steel pipe products based on the committed orders from our customers with different specifications and that as we order our raw materials on a case-by-case basis according to our customers' needs, and we are usually required to make a prepayment representing 10% to 30% of the total purchase amounts to secure the raw material supply contract, we may be exposed to mis-alignments in the cost of steel pipes used for a particular project or order and may experience tightening liquidity. As such, our Directors consider the exercise of tight credit and inventory control as two of the principal factors which will affect our financial performance. The debtor's turnover days for each of the three years ended 31 December 2008 and the eight months ended 31 August 2009 were 42 days, 56 days, 36 days and 49 days, respectively, and the inventory turnover days for the same period were 95 days, 100 days, 100 days and 94 days, respectively. In the event of any adverse changes in market conditions of the supply and demand for our Group's principal products or major raw materials which affect our exercise of tight credit or inventory control, the results of our Group may be adversely affected.

Moreover, we have since January 2008 installed an enterprise resource planning system (the "**ERP System**"), through which we can plan and monitor properly our production schedules, raw material procurement and inventory management to enhance our inventory control. In the event of any failure in the implementation and continuous use of the ERP System, our inventory management and hence our results may be adversely affected.

A material disruption to our operations may adversely affect our revenue and profits.

Our operations are subject to uncertainties and contingencies beyond our control that may result in material disruptions, preventing us from meeting customer orders, increase our costs of production and consequently adversely affect our revenue and profits. In particular, our operations require complex production facilities and specialised manufacturing equipment. Our production facilities require periodic shutdowns for regular maintenance, repair and mould and tooling changes to accommodate different specification of steel pipes as required. Events such as industrial accidents, fires, floods, droughts, natural disasters and other catastrophes, equipment failures or other operational problems that increase our equipment downtimes, strikes or other labor difficulties and disruptions of public infrastructure such as roads, ports or pipelines may occur in our existing production lines housed in the factory blocks at our principal production base in Panyu, Guangdong Province, the PRC and Jiangyin, Jiangsu Province, the PRC as well as in future our new production base in Lianyangang, Jiangsu Province, the PRC. If any of such events happen in those areas, our production may be materially disrupted, which may adversely affect our business and financial performance.

We may not be able to renew certifications which are significant for our operations.

We have been awarded certifications from certain recognised institutions, such as API and DNV which certify the satisfaction of the quality standards for our steel pipe products or our operational management standard. Information of these awards and certifications are set out under the paragraph headed "Awards and recognitions" in the section headed "Business" in this prospectus. We rely on such certifications as the API and DNV standards are generally accepted by most oil, petrochemical and natural gas companies worldwide, including our existing customers and potential clients. However, we cannot assure you that we can continue to obtain or renew such certifications in the future. In the event that we fail to obtain or renew any such certifications, our ability to market our steel pipe products may be adversely affected, and our results of operations may also be materially and adversely affected.

We may not be able to maintain our profit margin in the future.

We achieved gross profit margin in an increasing trend of approximately 16.4%, 18.2%, 20.5% and 22.2% for each of the three years ended 31 December 2008 and the eight months ended 31 August 2009, respectively. Moreover, for the same period, our profit for the year was approximately RMB38.0 million, RMB70.4 million, RMB275.5 million and RMB301.2 million, respectively, representing net profit margin of approximately 3.5%, 4.8%, 10.5% and 14.9%, respectively. There is no assurance that we will be able to maintain or improve the gross profit margin and net profit margin as in the Track Record Period.

We may not be able to sustain our rapid business growth that we have experienced during the Track Record Period.

We have been expanding our business rapidly and intend to continue to do so in future. Our gross profit increased from approximately RMB179.9 million for the year ended 31 December 2006 to approximately RMB537.0 million for the year ended 31 December 2008, representing a CAGR of approximately 72.8%. Our profit for the year increased from approximately RMB38.0 million for the year ended 31 December 2006 to RMB275.5 million for the year ended 31 December 2008, representing a CAGR of approximately 169.3%. In order to sustain such growth, we would need to implement our business plans effectively, maintain a resilient workforce, manage our costs effectively and exercise adequate control and reporting systems in a timely manner. There is no assurance that we will continue to maintain such rapid business growth in the future.

We may not be able to implement our future plans successfully.

Further expansion of production capacity is a key to our success. Our planned expansion requires us to identify suitable locations that are in close proximity to raw material sources or transportation networks. However, even if we successfully identify suitable locations, we may be unable to expand our business if we cannot compete effectively in the market.

In January 2008, GPR Steel Pipe established a branch office at Zhangjiagang in Jiangsu Province, the PRC and leased a factory complex (comprising a parcel of land with two major buildings and structures erected thereon) for a JCOE production line in Zhangjiagang, Jiangsu Province, the PRC. However, due to the lessor's failure in providing valid title certificates or other relevant documents evidencing that the lessor has the requisite title or right to lease the property to us, the lease agreement has not been duly registered in compliance with the PRC law and as such and taking into account of the costs which may be involved in relocating the JCOE production line, we disposed of our JCOE production line and the related ancillary production facilities then located in the Zhangjiagang facilities to an Independent Third Party upon the expiry of the relevant lease agreement in August 2009 and recorded a gain from disposal.

For the year ended 31 December 2008, the annualised utilisation rate of our UOE, JCOE (Panyu), JCOE (Zhangjiagang) (now disposed) and ERW steel pipes production lines reached approximately 76%, 114%, 98% and 51%, respectively. For the eight months ended 31 August 2009, the annualised utilisation rate of our UOE, JCOE (Panyu), JCOE (Zhangjiagang) (now disposed) and ERW steel pipes production lines was 72%, 89%, 74% and 122%, respectively. As disclosed under the paragraphs headed "Our strategies" in the section headed "Business" and the section headed "Future plans and use of proceeds" in this prospectus, we plan to expand our production capacity by establishing three new production lines for LSAW steel pipes and modifying and upgrading our existing facilities for the production of steel pipes in order to increase and enhance our production efficiency and capacity. The successful implementation of such plan will depend on a number of factors that are both within and beyond our control, including but not limited to our ability to manage our expansion, our ability to achieve operational efficiencies and any unforeseen difficulties which may arise in the relocation and setting up new production lines or the re-engineering and modification of our existing production facilities.

Furthermore, we plan to expand our overseas distribution network by seeking for cooperation with international steel pipe distributors as well as hiring experienced sales personnel from overseas and establishing new marketing team in order to tap the business potential in overseas market. However, there is no assurance that we could identify suitable overseas distributors and sales professionals to carry out such expansion plan.

There is no assurance that our future plans can be successfully implemented. If we fail to implement the above-mentioned plans, our overall expansion and marketing strategy, financial conditions and results of operations may be adversely affected.

We could become involved in intellectual property disputes.

The production of our steel pipe products involves the use of various intellectual property rights. We seek to protect our intellectual property rights by relying on laws and regulations such as patent law and trademark law of the PRC.

Despite our efforts to protect our proprietary rights by obtaining due registration of such intellectual property rights, it is possible that third parties will use our intellectual property without authorisation. Since we operate in a legal regime that is still developing, the protection and enforcement of our intellectual property rights may not be as effective as in countries with more mature legal systems. The steps we have taken may be inadequate to prevent the misappropriation of our proprietary technology and design. Any unauthorised use or infringement of our Group's intellectual property rights may have an adverse impact on our business. From time to time, we may have to resort to litigation to enforce our intellectual property rights, which may involve significant costs.

On the other hand, there is no assurance that infringement claim against us from third parties will not occur. Should any infringement claim against us from third parties occur, we may incur significant legal expenditure to defend our rights and interests or be required to pay substantial damages and be forced to develop non-infringing technology or obtain licences for such technology. We may not be able to develop non-infringing technology or obtain licences acceptable to our Group and, as a result, our business may be adversely affected.

There is no assurance that we will not be involved in intellectual property disputes in the future. For details of our intellectual property rights, such as date(s) of registration/application and/or duration of validity of the trademarks and patents, please refer to the paragraph headed "Intellectual property rights of the Group" in Appendix VI to this prospectus.

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.

We had net cash outflows from operating activities of approximately RMB226.1 million for the year ended 31 December 2007 which was primarily attributable to the fact that we increased the purchase of principal raw materials as a result of the increase in sales orders received in the fourth quarter of 2007. As such, our stock balances and prepayments paid to our suppliers for securing the raw material supply contracts as at 31 December 2007 increased substantially by approximately 90.6% and 113.6%, respectively, from that as at 31 December 2006.

Moreover, we had net current liabilities of approximately RMB223.3 million as at 31 December 2007, which was principally ascribed to the reclassification of the current portion of long term bank loans of approximately RMB270.7 million from non-current liabilities as at 31 December 2006 to current liabilities as at 31 December 2007.

We cannot assure you that we will not experience periods of net operating cash outflow and/or net current liabilities in the future. If we continue to have net current liabilities in the future, our working capital may be subject to constraints. If we continue to have net operating cash outflow in the future, it could have a material adverse effect on our business, financial condition, results of operations and prospects. If we fail to raise necessary funding by borrowings from banks to finance our business operations and capital expenditure (when required) or if we are unable to secure renewal of or increase in credit facilities with existing lenders and if alternative lenders are not available or are only available on terms that are commercially less favourable to us, our business and financial position may be adversely affected.

For further details of the indebtedness and liquidity, financial resources and capital structure of our Group, please refer to the section headed "Financial information" in this prospectus. There is no assurance that we will always be able to maintain a net current assets position in the future.

Our historical dividends may not be indicative of our future dividends.

Dividends may be paid only out of our distributable profits as permitted under the relevant laws. Our ability to pay dividends will therefore depend on our ability to generate sufficient distributable profits.

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 the 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.

In addition, to the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations and may therefore limit our further development. Therefore, there can be no assurance that we will declare dividends at all in the future. Future dividends, if any, will be at the discretion of the Board and will depend upon our future results of operations, capital requirements, general financial position, legal and contractual restrictions and other factors the Board may deem relevant.

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.

A significant portion of our assets and our subsidiaries are located in the PRC. In addition, most of our Directors and senior officers reside in the PRC, and the assets of our Directors and officers may also be located in the PRC. As a result, it may not be possible to effect service of process outside the PRC upon most of our Directors and senior officers, including with respect to matters arising under applicable securities laws. A judgement of a court of another jurisdiction may be reciprocally recognised or enforced in the PRC if that jurisdiction has a treaty with the PRC or if judgements of the PRC courts have been recognised before in that jurisdiction, subject to the satisfaction of any other requirements. Recognition and enforcement in the PRC or Hong Kong of judgements of a court in these other jurisdictions in relation to any matter not subject to a binding arbitration award are uncertain.

In addition, our Shareholders will not be able to bring any action on the basis of violations of the Listing Rules and must rely on the Stock Exchange to enforce its rules. Furthermore, the Hong Kong Codes on Takeovers and Mergers and Share Repurchases do not have the force of law and provide only standards of commercial conduct considered acceptable for takeover and merger transactions and share repurchases in Hong Kong.

Our business and reputation may be affected by product liability claims, litigation, complaints or adverse publicity.

Our Directors currently have not taken out any product liability insurance and have not implemented any other protection scheme as it is our clients' practice that insurance, covering liability arisen from our products' defects, will be purchased on their own. If our steel pipe products do not meet the specifications and requirements agreed with or requested by our customers, or if any of the our steel pipe products are defective, such failure or defects, and any complaints or negative publicity resulting therefrom, could result in decreased sales of these or other products, and we may also be subject to product liability claims and litigation. To this end, we may incur significant legal costs regardless of the outcome of any claim of alleged defect. If we face any product liability claims, our business, financial condition and results of operations may be materially and adversely affected.

We may be unable to recover retention money from our customers.

Customary in our industry, a portion of the contracted value, which is generally 2% to 10% of the contracted value, will usually be withheld by our customers as retention money for a warranty period ranging from six months to 18 months after the delivery of our steel pipe products as a warranty provision against any major quality defects in the products we have sold. Pursuant to the sales contracts with our domestic customers, such retention money will be paid or released if during the warranty period (generally six months to 18 months after the inspection and acceptance of our steel pipe products), our steel pipe products do not manifest any major quality problem. During the Track Record Period, we recovered all of the money retained by our customers pursuant to this warranty arrangement as it came due, and we currently expect to recover all such retained amounts outstanding as of the Latest Practicable Date.

There can be no assurance, however, that we will be able to recover all or any of the amounts retained by our customers for warranty purposes in future. If we are unable to recover a significant portion of the amounts retained by our customers, our future financial condition and results of operations may be materially and adversely affected.

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.

The US Department of the Treasury's Office of Foreign Assets Control, or OFAC, administers certain laws and regulations, or US Economic Sanctions Laws, that impose restrictions upon US persons and, in some instances, foreign entities owned or controlled by US persons, with respect to activities or transactions with certain countries, governments, entities and individuals that are the subject of US Economic Sanctions Laws, or Sanctions Targets. US persons are also generally prohibited from facilitating such activities or transactions. Neither we nor the Selling Shareholder will use any net proceeds from the New Issue to fund any activities or business with any Sanctions Targets with respect to activities or transactions prohibited by US Economic Sanctions Laws. In the Track Record Period, we sold a portion of our steel pipe products to companies which we understand used such products in connection with projects for Sanctions Targets; we also made limited sales directly to entities in Sanctions Targets. To the best knowledge of our Directors, for each of the three years ended 31 December 2008 and the eight months ended 31 August 2009, our indirect and direct sales to Sanctions Targets, including Burma, Sudan and Iran, accounted for approximately 4.9%, 0.3%, 1.4% and

5.3%, respectively, of our total revenue. We believe that US Economic Sanctions Laws under their current terms are not applicable to our activities. We cannot assure you that we will not have any sales of our steel pipe products, directly or indirectly, to Sanctions Targets in the future. If such transactions occur in the future, our reputation could be adversely affected, some of our US investors may be required to sell their interests in our Company under the laws of certain US states or under internal investment policies or may decide for reputational reasons to sell such interests, and some US investors may forgo the purchase of our Shares, all of which could materially and adversely affect the value of our Shares and your investment in us.

We may be affected by the relationships between PRC and foreign countries from which PRC sources oil and gas.

Our steel pipe products have a wide scope of applications and a majority of them are sold to enterprises in the oil, petrochemicals and natural gas industry for use as pipes for transmission of oil, petrochemicals, natural gas, city gas and coal slurry, or as casing pipes for oil wells in the PRC and in Middle East, European Union, America, and Southeast and Central Asia. For instance, our LSAW and ERW steel pipes are sold to customers principally in the PRC with CNPC, CNOOC and Sinopec being our major domestic customers. In response to the increase of domestic demand for oil and gas, CNPC, CNOOC and Sinopec may enter into contracts to import oil and natural gas from or may engage in oil and gas projects in foreign countries in the Middle East and Southeast and Central Asia.

Our Directors believe that a substantial portion of our domestic sales in the future will be derived from projects of CNPC, CNOOC and Sinopec in the construction of transnational pipelines or other projects in foreign countries in the Middle East, Europe, America, and Southeast and Central Asia. Unfavourable relationships between China and the foreign countries may have an adverse effect on future projects and projects underway. Foreign countries may be subject to terrorism or political instability, and any attacks or threats of attack may cause substantial delay with respect to our major projects, our Group's business, financial condition and results of operations may be materially and adversely affected.

Our operations may be affected by inherent risks and occupational hazards.

Our operations, particularly our manufacturing facilities, involve risks and occupational hazards which cannot be completely avoided or eliminated through preventive efforts. During maintenance and inspection of our production lines, our employees may be exposed to hazards caused by inhalation of chemical substances. In particular, our production lines are housed in the factory blocks at our principal production bases in Panyu, Guangdong Province, the PRC and Jiangyin City, Jiangsu Province, the PRC. Unforeseen accidents, which may result in severe damage in our production facilities, severe injuries or even fatalities, may disrupt our production, which may adversely affect our business and financial performance.

Power shortages or substantial increase in energy costs may adversely affect our operations.

Our operations consume substantial amounts of electricity. In the event of power shortages and blackout periods, our production may be disrupted as we do not have backup generators at our production lines. As our production facilities are based in the PRC, our operations may be disrupted if we fail to obtain adequate and stable supply of electricity due to restriction on the use of electricity imposed by the PRC Government. During the Track Record Period, we did not experience any material disruption to our production due to power shortages.

In addition, we may not be able to pass increased energy costs to our customers due to pressures from competition and customer resistance. In the event that we fail to recover the substantial cost increases of energy, our Group's business, financial condition and results of operations may be adversely affected.

RISKS RELATING TO THE STEEL PIPE INDUSTRY

We face intense competition.

Although we are one of the leading manufacturers in the PRC capable of producing LSAW steel pipes using the UOE and JCOE production methods, there is no assurance that other PRC manufacturers will not improve their production capability or develop more technologically advanced production lines. Competition is also keen in the ERW steel pipes business segment.

We also face competition from overseas manufacturers who may possess more profound experience in the production of steel pipes and their production facilities and technologies may be more sophisticated. No assurance can be given that we will be able to compete successfully against our current competitors or that existing or new competitors will not expand or establish new production lines in our target markets. New or expanded production facilities of competitors may exert adverse effect on our businesses. In addition, any price competition may reduce the gross margin on sales and the overall profitability of our Group.

We rely on energy, infrastructure and construction projects which may be adversely affected by recent global financial crisis.

The financial crisis as triggered by the sub-prime mortgage crisis which began in the beginning of 2007 in the US has adversely affected the availability of credit in the international lending markets and has ultimately caused significant downturns in the world economy. Economists and market analysts believe that the possibility of a global recession is increasing and in view of the anticipated global trends, it is expected that the Chinese economy will inevitably slow down.

After the outbreak of the financial crisis in the third quarter of 2008, a number of our customers cancelled or delayed the delivery of certain sales orders, which were originally scheduled to be delivered in 2008. Accordingly, the respective sales revenue associated with such cancelled or delayed orders could not be recognised in the books of our Group for the year ended 31 December 2008. Our Directors believe that the cancellation or delay of the delivery of these sales orders was due to the then procrastination of the oil and gas pipeline construction projects worldwide as a result of the global financial turmoil. Moreover, bad debt provision of our Group increased from approximately RMB82,000 for the year ended 31 December 2008 to approximately RMB4.1 million for the eight months ended 31 August 2009 due to the deterioration of the global economy and credit crunches at the end of 2008.

Our Directors believe that a substantial portion of our sales of LSAW steel pipes will continue to be derived from oil and gas pipeline construction, as well as other energy and infrastructure projects both in the PRC and overseas. Unfavourable political or economic conditions, such as the global financial crisis in late 2008 and the recent debt woes of Dubai World (the investment arm of the United Arabs of Emirates) or general outlook of the energy market will also have an adverse effect on the readiness of governments and private enterprises to commit further investments and may also lead to abandonment of project underway or project defaults. During the Track Record Period, our sales to the Middle East accounted for approximately 1.2%, 15.4%, 12.4% and 35.6%, respectively, of our total revenue. Moreover, as some of the projects that we intend to participate in are of large scale, they may be subject to delay and rescheduling due to many reasons, such as the recent economic downturn, changes in construction priorities, environmental and regulatory issues, difficulties in obtaining property rights or in securing funding. We cannot assure you that the number of such energy, infrastructure and construction projects will not decline nor these projects will not be rescheduled.

In the event that the business of our customers in the energy, infrastructure and construction industry decline due to the above-mentioned reasons and affected the number of such projects which consequently leads to the reduction in the demand of our products, or if there is any substantial delay with respect to our major projects, our Group's business, financial condition and results of operations may be materially and adversely affected.

We are subject to fluctuations in steel prices.

Our products are primarily made of steel, the price of which will affect our cost structure. Steel coils and steel plates accounted for approximately 90.4%, 90.9%, 91.7% and 90.6% of our total cost of sales for each of the three years ended 31 December 2008 and the eight months ended 31 August 2009, respectively. The steel industry is cyclical in nature and steel prices are influenced by factors beyond our control, such as general economic conditions, import duties and foreign exchange rates. Moreover, the cost of steel plates and steel coils that we used to produce our products varies with different dimensions and steel quality. Set out below is the chart showing the market average price of steel plates and steel coils and the highest, lowest and weighted average unit price of steel plates and steel coils that we purchased for each of the three years ended 31 December 2008, the eight months ended 31 August 2009 and the year ended 31 December 2009:

	Year ended 31 December			Eight months ended 31 August	Year ended 31 December
	2006	**2007**	**2008**	**2009**	**2009**
	(RMB/tonne)	*(RMB/tonne)*	*(RMB/tonne)*	*(RMB/tonne)*	*(RMB/tonne)*
Steel plates					
Market average price (1) and (5)	3,638	4,364	5,448	3,603	3,620
Unit purchase price (2)					
– *Highest*	9,400	8,848	11,000	10,300	10,300
– *Lowest*	3,050	4,120	5,000	3,600	3,600
– *Weighted average*	5,594	6,370	8,610	5,282	5,229
Steel coils					
Market average price (3) and (5)	3,935	4,286	5,014	3,773	3,728
Unit purchase price (4)					
– *Highest*	6,300	6,300	7,950	10,299	10,299
– *Lowest*	2,900	3,800	3,000	3,500	3,500
– *Weighted average*	4,169	5,216	6,698	5,367	5,048

Notes:

(1) Domestic market average price of 20mm thick steel plates (Source: Antaike, Bloomberg)

(2) Unit purchase price of steel plates with thickness range from 8.0mm to 31.0mm and steel quality range from API 5LB to X80

(3) Domestic market average price of 3mm thick steel coils (Source: Antaike, Bloomberg)

(4) Unit purchase price of steel coils with thickness range from 3.0mm to 19.1mm and steel quality range from API 5LB to X80

(5) To the best knowledge of our Directors, there is no publicly available information on the domestic market average price of steel plates and steel coils in the PRC that can match with the same ranges of thickness and steel quality of those used by us for the production of our steel pipe products, and therefore the domestic market average price of 20mm thick steel plates and domestic market average price of 3mm thick steel coils are stated for indication of the market price trends of steel plates and steel coils in the PRC. During the Track Record Period, the weighted average purchase prices of our Company's steel plates and steel coils were generally higher than that of the market average since, to the best knowledge and belief of our Directors, the quality of steel plates and steel coils that we purchased for the production of our steel pipe products is generally higher than those used for compilation of the said market average. Regardless of the differences in the specifications, and in terms of the dimensions and quality, of steel plates and steel coils that we purchased and those used for compilation of the market average, the price trend of steel plates and steel coils that we purchased during the Track Record Period is largely in line with the historical trend of the market average price.

Although the prices of steel plates and steel coils dropped significantly from 2008 to 2009, there can be no assurance that steel prices will not increase as during 2006 to 2008 or that we will be successful in raising the selling price accordingly. Any increase in steel prices which is not offset by the increase in our selling prices could have a material adverse effect on our profitability. In addition, since the specifications of steel plates and steel coils required by our Group are different from those used for compilation of the market average stated above, there is no assurance that the prices of steel plates and steel coils that our Group purchases will follow the market average prices in the future.

We are in a capital intensive industry.

We operate in an industry which requires substantial capital investment and additional capital expenditures are required by our Group to continue to upgrade our facilities and improve our product quality. There is no assurance that we will have sufficient resources or external financing for the necessary capital expenditures in the future. If we are not able to obtain such financing, our business may be adversely affected.

Changes in the laws and regulations of the PRC will have a significant impact on our business.

Currently, our business and operations in the PRC entail the procurement of licences and permits from the relevant authorities. Our business and operations in the PRC are subject to laws and regulations of the PRC. Our legal advisers as to PRC law have confirmed that our Group has complied with all relevant laws and regulations in all material respects and has obtained all necessary licenses, approvals and permits from relevant regulator authorities for our Group's operations in the PRC, including《特種設備製造許可證(壓力管道元件)》(Manufacture Licence of Special Equipment (Pressure Pipeline Components)*) issued by 國家質量監督檢驗檢疫總局 (the State General Administration of the PRC for Quality Supervision and Inspection and Quarantine*).

In addition, our production operations are subject to the national environmental protection laws and regulations and rules promulgated by the local governments in the jurisdictions where our production facilities are located in the PRC. The relevant PRC laws and regulations require enterprises to have waste water, waste products and polluted air treatment facilities that meet the relevant environmental standards and to have the pollutants treated before being discharged. In addition, the current PRC national and local environmental protection laws and regulations impose fees for the discharge of pollutants and fines for the discharge of pollutants which are insufficiently treated. The relevant laws and regulations also empower relevant governmental authorities to close down any enterprise that causes serious pollution.

We strive to conduct our business in a manner that complies strictly with the applicable environmental laws and regulations and to the extent practicable that minimise any adverse effect on the environment to fulfill our social responsibility as a responsible enterprise.

All of our production activities are in full compliance with the relevant environmental laws and regulations in the PRC and we have obtained governmental confirmation certifying our compliance with the applicable environmental laws and regulations for our production plants. However, from time to time, changes in the rules and regulations or the implementation thereof may require us to put additional efforts and take further steps in ensuring the protection of environment and to obtain additional approvals, or licences from the PRC authorities for the conduct of our operations in PRC. In such event, we may need to incur additional expenses in order to comply with such requirements. This will in turn affect our financial performance as our business costs will increase. Furthermore, there can be no assurance that such approvals or licences will be granted to us promptly or at all. If we experience delay in or are unable to obtain such required approvals or licences, our operations and business in the PRC, and hence our overall financial performance will be adversely affected. Please refer to the paragraph headed "Regulatory matters" in the section headed "Industry overview" in this prospectus for details.

Fluctuation in market demand for and/or prices of oil and gas may affect the demand of our steel pipe products.

During the Track Record Period, most of our revenue is generated from the sale of our steel pipe products to oil companies and gas companies for use as pipelines for transmission of oil and gas. Demand for our steel pipe products is dependent on capital expenditures of oil and gas companies, which in turn is largely dependent on market demand for and/or prices of oil and gas prices. Given heavy reliance on the customers in the oil and gas companies, to some extent, our revenue is sensitive to changes in market demand and/or prices of global oil and gas. A prolonged decline in market demand and/or prices of oil and gas could directly or indirectly reduce the demand for our steel pipe products and have an adverse effect on the our business, financial condition, and results of operations.

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.

The PRC legal system is based on the PRC Constitution and consists of written laws, regulations, circulars and directives. The PRC is still in the process of developing its legal system so as to meet the needs of investors and to encourage foreign investment and uncertainties exist on whether and how existing laws and regulations will apply to certain events or circumstances.

Some of the laws and regulations, and the interpretation, implementation and enforcement of them, are subject to policy changes. There is no assurance that the introduction of new laws, changes to existing laws and the interpretation or application thereof will not have an adverse impact on our business or prospects.

Further, precedents on the interpretation, implementation and enforcement of PRC laws and regulations are limited and are not binding in the law courts of the PRC. As such, the outcome of dispute resolutions may not be consistent or predictable as in the other more developed jurisdiction and it may be difficult to obtain swift or equitable enforcement of judgement in the PRC.

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.

Since 1978, the PRC government has undertaken various reforms of its economic systems. Such reforms have resulted in economic growth for PRC in the last three decades. However, many of the reforms are unprecedented or experimental, and are expected to be refined and modified from time to time. Other political, economic and social factors may also lead to further readjustment of the reform measures. This refinement and adjustment process may consequently have a material impact on our operations in the PRC or a material adverse impact on our financial performance. Our results and financial position may be adversely affected by changes in the PRC's political, economic and social conditions and by changes in policies of the PRC's government or changes in laws, regulations or the interpretation or implementation thereof.

There is no assurance that we will continue to receive the preferential tax treatment currently enjoyed by our Group.

In accordance with the former《中華人民共和國外商投資企業和外國企業所得稅法》(Income Tax Law of the PRC for Enterprises with Foreign Investment and Foreign Enterprises*), all of our subsidiaries (except for PCKSP (Lianyungang)) in the PRC are entitled to full exemption from EIT for the first two years from their respective first profit making year and a 50% reduction in EIT for the next three years (after deducting losses carried forward).

The loss of the tax exemption and tax benefit period will increase our tax expenses. The new PRC EIT Law imposes a single income tax rate of 25% on most domestic enterprises and foreign invested enterprises. It contemplates various transition periods for existing preferential tax policies. On 6 December 2007, the implementation rules of the new PRC EIT Law were promulgated and took effect on 1 January 2008 (the "**Implementation Rules**"). According to this new PRC EIT Law and in accordance with the Implementation Rules, we may be subject to the uniform tax rate of 25% from the implementation date of this law. However, pursuant to《國務院關於實施企業所得稅過渡優惠政策的通知》(Notice of the State Council on the implementation of transitional preferential policies in respect of the EIT*) promulgated on 26 December 2007 and took effect on 1 January 2008, each of the GPR Companies will continue to enjoy its preferential treatment of tax exemption and tax benefit up to the expiry of its preferential treatment term in 2012. PCKSP, as an advanced and new technology enterprise eligible for key support from the PRC government qualified on 16 December 2008, shall be entitled to a reduced rate of 15% from 1 January 2008 to 31 December 2010. If PCKSP cannot be verified to be "advanced and new technology enterprises eligible for key support from the PRC government", it will be subject to the rate of 25% from 1 January 2011 onwards. Please refer to Appendix I to this prospectus for the details of the tax benefits enjoyed by our subsidiaries in the PRC and the EIT rates applicable to these entities during the Track Record Period.

If the PRC authorities further amend or promulgate new laws or regulations which prescribe a higher standard EIT rate or introduce any change to the tax preferential treatment which our subsidiaries in the PRC currently enjoy, our profit after taxation and financial position may be materially and adversely affected.

Future movements in exchange rates may adversely affect our financial position and results of operations.

On 21 July 2005, the People's Bank of China (the "**PBOC**") announced that the exchange rate of US dollars to Renminbi would be adjusted from US$1 to RMB8.27 to US$1 to RMB8.11, and it ceased to peg Renminbi to the US dollars. Instead, Renminbi is now pegged to a basket of currencies, which components are adjusted based on changes in market demand and supply under a set of systematic principles. On 23 September 2005, the PRC government widened the daily trading band for Renminbi against non-US dollars currencies from 1.5% to 3.0% to improve the flexibility of the new foreign exchange system. Renminbi may be revalued further against the US dollars or other currencies or, may be permitted to enter into a full or limited free float, which may result in an appreciation or depreciation in the value of the Renminbi against the US dollars or other currencies.

During the Track Record Period, all of our sales to customers in the PRC were denominated in Renminbi while most of our exports sales were denominated in US dollars. During the Track Record Period, our exports sales amounted to approximately RMB500.2 million, RMB794.4 million, RMB1,372.0 million and RMB1,268.6 million, respectively, and accounted for approximately 45.5%, 54.5%, 52.3% and 62.8%, respectively, of our total revenue. Accordingly, our operations are exposed to the fluctuation in exchange rates of RMB against US dollars. For each of the three years ended 31 December 2008 and the eight months ended 31 August 2009, we recorded net exchange loss of approximately RMB1.5 million, RMB10.7 million, RMB9.0 million and RMB0.7 million, respectively. The increase in the exchange loss in 2007 and 2008 was mainly due to the continuously appreciation of Renminbi during that period and the increase in our exports sales, which were mainly denominated in US dollars, by 58.8% from approximately RMB500.2 million for the year ended 31 December 2006 to approximately RMB794.4 million for the year ended 31 December 2007 and by 72.7% from that for the year ended 31 December 2007 to approximately RMB1,372.0 million for the year ended 31 December 2008. There is a decrease in exchange loss for the eight months ended 31 August 2009, since the Renminbi exchange rate against the US dollars remained relatively stable during 2009 as compared with that for the year 2008.

Moreover, the relaxation of the RMB-US dollars peg may contribute to the volatility of the value of Renminbi. Further appreciation of the Renminbi may cause our products become relatively more expensive, which could weaken our products' price competitiveness. This could have a material adverse effect on our business, financial condition, and results of operations. On the contrary, any depreciation of Renminbi would affect the value of the dividends payable on the Shares and other amount payable by us in foreign currency terms. During the Track Record Period, we have not implemented any formal policies regarding our foreign exchange exposure and only entered into a few non-speculative hedging transactions to hedge our foreign exchange exposure. Therefore, we will be exposed to fluctuations in the exchange rate of RMB and our results may be adversely affected.

Restriction on currency conversion may limit our ability to remit dividends and affect our business.

Renminbi currently is not a freely convertible currency. Existing restrictions on the conversion of Renminbi into foreign currencies may affect our ability to convert Renminbi into foreign currencies (and thus restrict the subsequent repatriation of those funds). Such restriction includes, among other things, the approval from SAFE or its local branches for the conversion of Renminbi into foreign currency and remittance out of China thereafter. In addition, any tightening of such restrictions, including but not limited to the future imposition of restrictions on foreign exchange transactions for current-account items such as the payment of dividends, may limit our ability to use resources generated in Renminbi to fund our business activities outside China.

Besides, while the proceeds to be raised from the New Issue will be denominated in HK dollars, our functional currency is Renminbi. There is no assurance that HK dollars can be converted into Renminbi all the times, and any restriction on such conversion may restrict our utilisation of, or even render us unable to utilise, the proceeds from the New Issue for implementation of our future plans and thus our business may be adversely affected.

As most of our revenue and operating costs are denominated in Renminbi, our business and operating results may be materially and adversely affected in the event of a severe increase or decrease in the value of Renminbi against other currencies. The value of Renminbi is subject to changes in the PRC's governmental policies and to international economic and political developments. Any significant appreciation of Renminbi would result in an adverse impact on the conversion of the proceeds from the New Issue and future financing into Renminbi for our operations, and any material devaluation of Renminbi against the HK dollars could adversely affect the amount of any cash dividends on our Shares in HK dollars term.

Any increase in interest rates in the PRC may materially affect our results.

As at 30 November 2009, being the latest practicable date for the purpose of ascertaining our indebtedness position, we had aggregate banking facilities of approximately RMB2,339.0 million, of which approximately RMB1,257.6 million had been utilised. We may in future incur new debt obligations to finance our operations and our borrowings carrying interest at floating rates will expose us to interest rate risk resulting from fluctuations in the relevant reference rates. 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. Any further increase in interest expense may have a material adverse effect on our business, financial position and results of operations.

The outbreak of any severe communicable diseases in the PRC, if uncontrolled, could affect the financial performance and prospects of our Group.

The outbreak of any severe communicable disease in the PRC, if uncontrolled, could have an adverse effect on the overall business sentiments and environment in the PRC, which in turn may have an adverse impact on domestic consumption and, possibly the overall GDP growth of the PRC.

As our revenue is currently mainly derived from our operations in the PRC, any contraction or slow down in the growth of domestic consumption and possible slow down in the GDP growth of the PRC will adversely affect our prospects, future growth and overall financial position. In addition, if any of our employees is affected by any severe communicable disease outbreaks, we may be required to temporarily shut down the affected campuses and quarantine all staff working in those campuses to prevent the spread of the disease. This could adversely affect and/or disrupt our production and the relevant plants and impact our financial performance.

The recent outbreak of Influenza A (H1N1), commonly known as the "swine influenza" has caused an alarming number of deaths worldwide. The increasing number of Influenza A (H1N1) infected cases in certain Asian countries and territories, such as the PRC and Hong Kong, could indicate that it is gradually developing into a pandemic disease, which would threaten human lives and hinder the local and cross-border business activities and affect the prospects of economic recovery in those areas. It is unclear whether the epidemic will become more aggressive or will wane in the near future. Any prolonged outbreak of Influenza A (H1N1) or other severe communicable disease in the PRC (including Hong Kong) or elsewhere could have a material adverse effect on the business, prospects, financial condition or operational results of our Group.

Import duties and effects of WTO accession.

The import of steel coils and steel pipes into the PRC is subject to restrictions and import tariffs calculated on the value of the imported goods. Import tariffs on steel pipes are levied at between 17% and 40%, respectively.

China's accession to the WTO is likely to increase competition between PRC domestic manufacturers and major international competitors which generally have lower production costs. On 11 November 2001, China signed and ratified the protocol on China's accession to the WTO, which includes the terms of membership and the schedule of China's commitment on market access for goods and services. Effective from 11 December 2001, China became a full member of the WTO. This agreement will result in reduction or elimination of trade barrier, including:

- significantly reducing import tariffs on primary steel products (including LSAW steel pipes and ERW steel pipes); and

- eliminating quotas and non-tariff barriers for import of steel products.

Increases in foreign competition and the reduction of the protections currently provided by China's existing import tariffs may have a material adverse effect on our results of operations.

Payment of, and tax exemptions on, dividends are subject to restriction under the PRC laws.

The PRC laws require that dividends be paid only out of the net profit calculated according to the generally accepted accounting principles in the PRC, which differ from the generally accepted accounting principles in other jurisdictions. The PRC laws also require foreign-invested or domestic-funded enterprises, such as PCKSP, Hualong Anti-Corrosion, PCKSP (Lianyungang) or any of the GPR Companies, to set aside part of their net profit as statutory reserves. These statutory reserves are not available for distribution as cash dividends. As a result, our ability to pay dividends will be restricted by the prevailing PRC laws.

In addition, our Company is incorporated in the Cayman Islands and holds interests in our subsidiaries in the PRC through CKSPG, a Hong Kong incorporated company. As foreign legal entities, dividends derived from our Group's business operations in the PRC for earnings generated prior to 1 January 2008 are currently not subject to income tax under PRC law. However, we cannot assure you that such dividends will continue to be exempted from the PRC EIT Law. Under the existing PRC EIT Law, if a foreign entity is deemed to be a non-PRC tax resident enterprise without an office or premises in the PRC, a withholding tax at the rate of 10% will be applicable to any dividends for earnings accumulated since 1 January 2008 payable to the foreign entity, unless it is entitled to reduction or elimination of such tax, including by tax treaties or agreements. According to the double taxation avoidance arrangement between the PRC and Hong Kong, dividends paid by a foreign-invested enterprise, such as PCKSP, Hualong Anti-Corrosion or any of the GPR Companies, in the PRC to its shareholder(s), CKSPG in Hong Kong will be subject to withholding tax at a rate of 5% if the Hong Kong company directly holds 25% or more interest in the PRC enterprise.

In addition, the Implementation Rules currently in force provides that if an enterprise incorporated outside the PRC has its "de facto management organisation" located within the PRC, such enterprise may be recognised as a PRC tax resident enterprise and thus may be subject to EIT at the rate of 25% on its worldwide income. As at the Latest Practicable Date, substantially all members of our Group's management were located in the PRC. If the PRC tax authorities consider that any of our Group's non-PRC entities is a deemed PRC tax resident enterprise after the effective date of the PRC EIT Law and its Implementation Rules, such deemed PRC tax resident enterprise would therefore be subject to an EIT of 25% on its worldwide income (including dividend income receivable from its subsidiaries), which excludes the dividends receivable directly from another PRC tax resident. However, there have been no official implementation rules regarding the determination of the "de facto management organisation" for foreign enterprises which are not controlled by enterprises in the PRC (including companies like ourselves). We cannot assure you that we will not be considered as a "resident enterprise" under the PRC EIT Law and not be subject to EIT at the rate of 25% on our income generated both inside and outside the PRC.

Enforcement of judgements obtained from non-PRC courts may be difficult.

Our Company is incorporated in the Cayman Islands. A substantial part of our assets and operations are located however within the PRC. The PRC currently does not have effective treaties or arrangements which provide reciprocal recognition and enforcement of judgements of the courts of the United States, the United Kingdom or other countries, and therefore, it may be difficult for investors to effect service of process upon us or to enforce against us any judgements obtained in such jurisdictions.

The PRC is a signatory of the United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "**New York Convention**") which permits enforcement in the PRC of awards of arbitral bodies located in other New York Convention signatory countries, subject to certain exceptions. Even in cases where enforcement is, in principle, provided for by the New York Convention, practical difficulties are sometimes encountered.

Hong Kong and China entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgements in Civil and Commercial Matters, pursuant to which a party with a final court judgement rendered by a Hong Kong court in respect of a judgement sum payable under a civil and commercial action may apply for enforcement of such judgement in the PRC, and vice versa. However, it is impossible to enforce a judgement rendered by the Hong Kong court in the PRC if there is no prior agreement as to the choice of court.

PRC regulations may limit our ability to make additional capital contributions to our subsidiaries in the PRC.

We are an offshore holding company engaging our businesses substantially in the PRC through our subsidiaries in the PRC. For the future expansion of our operations, we may utilise the proceeds we expect to receive from the New Issue to make additional capital contributions or loans to our subsidiaries in the PRC. Under the current PRC regulations, any capital contributions or loans to foreign-invested enterprises in the PRC, depending on the amount of total contribution or advance, require approval by or registration with relevant governmental authorities in the PRC.

Should we fail to complete all the necessary government registrations or obtain all the necessary government approvals on a timely basis with respect to future capital contributions made or loans advanced by us to our subsidiaries in the PRC, our ability to use the proceeds from the New Issue to capitalise or otherwise fund our operations in the PRC could be materially and adversely affected. Any such limitation on funding would result in a reduced liquidity and would adversely affect our ability to fund and expand our businesses 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.

The Standing Committee of the National People's Congress adopted《中華人民共和國勞動合同法》(PRC Labour Contract Law*) on 29 June 2007 which became effective on 1 January 2008.《中華人民共和國勞動合同法》(PRC Labour Contract Law*) imposes requirements relating to, among others, minimum wage, severance payment and non-fixed term employment contracts, and establishes time limits for probation periods as well as the duration and the number of times that an employee can be placed on a fixed term employment contract. It also provides that social insurance is required to be paid on behalf of the employees and the employees are entitled to unilaterally terminate the labor contract if this requirement is not being satisfied.

Pursuant to this new law, our subsidiaries in the PRC are required to enter into non-fixed term employment contracts with employees who have worked for them for more than ten years or, unless otherwise provided under the new law, for whom a fixed term employment contract has been concluded for two consecutive terms since 1 January 2008. Our Group may not be able to efficiently terminate non-fixed term employment contracts under the new law without cause. In addition, our Group is also required to make severance payments to employees under the fixed term contracts upon the expiration of their employment contracts, unless the employee voluntarily terminates the contract or voluntarily rejects an offer to renew the contract in circumstances where the conditions offered by the employer are the same as or better than those stipulated in the current contract. The amount of severance payment is calculated based on the monthly wage of the employee multiplied by the number of full years that the employee was employed by the employer, unless the employee's monthly wage is three times greater than the average monthly wage in the relevant district or locality, in which case the calculation of the severance payment will be based on a monthly wage equal to three times the average monthly wage multiplied by a maximum of twelve years.

Compliance with the relevant laws and regulations may substantially increase our Group's operating costs and may have a material adverse effect on the results of operations of our Group. In particular, an increase in the labor costs in the PRC will increase our production costs and we may not be able to pass these increases on to our customers due to competitive pricing pressures. We cannot assure you that any employment disputes or strikes will not arise in the future. Increases in our labor costs and future disputes with our employees could adversely affect the business, financial condition or results of operations of our Group.

Acts of God, acts of war and other disasters could affect our business.

Our business is subject to the general economic and social conditions in the PRC. Natural disasters, epidemics and other acts of God which are beyond our control may adversely affect the economy, infrastructure and livelihood of the people of the PRC. Many major cities in the PRC are under the threat of flood, earthquake, sandstorm, snowstorm or drought and for instance, the unexpected snowstorm in the PRC around the Chinese Lunar New Year of 2008 and the serious earthquake in Sichuan Province in May 2008 had caused disruption of economic activities in China. Our business, operating results and financial condition may be adversely affected if such natural disasters occur. Acts of war and terrorist attacks may cause damage or disruption to us, our employees, our distributors and our markets, any of which could adversely impact our revenue, cost of sales, overall results and financial condition. Potential wars or terrorist attacks may also cause uncertainty and cause our business to suffer.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for the Shares.

Prior to the Global Offering, there was no public market for the Shares. The initial Offer Price range for the Offer Shares was the result of negotiations among our Company (for ourselves and on behalf of the Selling Shareholder) and the Joint Global Coordinators (acting on behalf of the Underwriters). You should not view the Offer Price as any indication of the price that will prevail in the trading market. The market price for the Shares may drop below the Offer Price upon commencement of dealing in Shares on the Main Board. In addition, a listing on the Stock Exchange does not guarantee that an active and liquid trading market for the Shares will develop or be sustained following the Global Offering or in the future.

The market price of our Shares may be volatile.

The trading price of the Shares could be subject to significant volatility in response to, among other factors:

- investor perceptions of our Group and our future plans;
- variations in our Group's operating results;
- changes in pricing made by us or our competitors;
- technological innovations;
- changes to senior management;
- the depth and liquidity of the market for the Shares; and
- general economic and other factors.

Any material changes in the above factors could cause the market price of the Shares to change substantially.

Concentrated ownership and the Controlling Shareholders may exert substantial influence over us and may not act in the best interests of our independent Shareholders.

Immediately upon completion of the Global Offering, Bournam (which is ultimately owned by Mr. Chen) will own 70% of our issued share capital, without taking into account of the Shares which may be issued upon the exercise of the Over-allotment Option. Bournam will be in a position to exert significant influence over our affairs, and will be able to influence the outcome of any Shareholders' resolution, irrespective of how other Shareholders may vote. The interests of Bournam and Mr. Chen, as our Controlling Shareholders, may not necessarily be aligned with that of independent Shareholders, and this concentration on ownership may also have the effect of delaying, deferring or preventing a change in control of our Company.

There may be dilution of shareholding as a result of additional equity fund raising.

We may need to raise additional funds in the future to finance the expansion of our new developments relating to our existing operations or new acquisition. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company other than on a pro-rata basis to existing Shareholders, the percentage of ownership of our then Shareholders in our Company may be diluted, Shareholders may experience subsequent dilution and/or such securities may have rights, preferences and privileges senior to the Shares.

Statistics and industry information have come from various publicly available government official publications which may not be reliable.

Certain facts, statistics and data presented in the section headed "Industry overview" and elsewhere in this prospectus relating to the global and PRC markets, the oil and natural gas industries and/or the steel pipes industries have been derived, in part, from various publicly available government official publications and industry-related sources prepared by Independent Third Parties. We believe that the sources of the information are appropriate sources for such information and the Joint Sponsors and our Directors have taken reasonable care to extract and reproduce the government official publications and industry-related sources in this prospectus, and we have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. However, neither our Group, our Directors, the Selling Shareholder, the Joint Sponsors nor any of the parties involved in the Global Offering have independently verified, or make any representation as to, the accuracy of such information and statistics. There is no assurance that statistics derived from such sources will be prepared on a comparable basis or that such information and statistics will be stated or prepared at the same standard or level of accuracy as, or consistent with, those in other publications within or outside the PRC. Accordingly, such information and statistics may not be accurate and should not be unduly relied upon.

There are risks associated with forward-looking statements contained in this prospectus.

Included in this prospectus are various forward-looking statements which can be identified by the use of forward-looking terminology such as "may", "will", "expect", "anticipate", "continue", "believe" and other similar words.

Since forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of our Group, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding our Group's present and future business strategies and the environment in which our Group will operate in the future. Important factors that could cause our Group's actual results, performance or achievements to differ materially from those in the forward-looking statements include, among others, the loss of key personnel of our Group, changes relating to the steel pipe industry and changes in general economic and business conditions. Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed above in this section. These forward-looking statements speak only as of the Latest Practicable Date.

Prospective investors should not place any reliance on any information contained in the press coverage regarding anti-dumping and countervailing measures.

Prior to the publication of this prospectus, there were press coverages regarding the imposition of anti-dumping and punitive duties imposed by the US on oil country tubular goods exported from the PRC to protect the steel industry in the US in certain newspapers in Hong Kong, namely, Hong Kong Economic Journal and Apple Daily which stated that a 10% to 16% of such anti-dumping or punitive duties would be imposed; and Mingpao which stated that a maximum of 15.8% of such anti-dumping duties would be imposed, on 31 December 2009. The details of such anti-dumping and countervailing measures are more particularly disclosed under 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. To the extent that any such information released by the press is not contained in this prospectus or is inconsistent or conflicts with the information contained in this prospectus, we disclaim any responsibility and liability whatsoever in connection therewith or resulting therefrom. Accordingly, prospective investors should not rely on any such information released by the press in making decision as to whether to subscribe for the Offer Shares. Prospective investors should rely only on the information contained in this prospectus.