This section contains information and statistics relating to the PRC economy and the industry in which we operate. We have derived such information and data partly from government official sources and partly from Independent Third Party publications. Except for the information from Antaike, Bloomberg and CISA (which, to the best knowledge of our Directors, will be available to the public at large with costs that are prescribed by these institutions on normal commercial terms), all information quoted in this section is publicly available information obtained from public sources without charges. We believe that the sources of the abovementioned information are appropriate sources for such information and we have taken reasonable care in extracting and reproducing such information. 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. The information has not been independently verified by us, the Selling Shareholder, the Joint Sponsors, the Joint Global Coordinators, the Underwriters or any of their respective affiliates or advisers involved in the Global Offering and no representation is given as to its accuracy, correctness, completeness or fairness. The information and statistics in this section may not be official sources and may not be consistent with other information compiled within or outside of the PRC. Investors should also note that the researches and reports which certain information and statistics contained in this section are derived from were not commissioned by us or our Connected Persons and/or the Joint Sponsors and/or the Joint Global Coordinators.

GLOBAL ENERGY MARKET OVERVIEW

According to BP Statistical Review of World Energy (June 2009)*(Note 1)*, in 2008, the annual global consumption of primary energy, including oil, natural gas, coal, nuclear energy and hydroelectricity reached approximately 11.3 billion tonnes of oil equivalent (equivalent to approximately 82.8 billion barrels), representing a 1.4% growth compared to that of 2007. The annual primary energy consumption in the Asia Pacific region increased by approximately 4.1% to approximately 4.0 billion tonnes (equivalent to approximately 29.2 billion barrels) in 2008, which was the highest amongst all other regions. In 2008, annual energy consumption in China reached approximately 2.0 billion tonnes (equivalent to approximately 14.7 million barrels), which represented an increase of approximately 7.2% from 2007 and accounted for 73% of the global energy consumption growth. The annual energy consumption of China in 2008 accounted for approximately 17.7% of the global primary energy consumption, being the second largest energy consuming country in the world following the US.

Note 1: BP is one of the world's largest energy companies and an Independent Third Party. BP Statistical Review of World Energy is published for reference by the media, academia, world governments and energy companies by BP annually providing objective and globally consistent data on world energy market commonly used.

Overview of Global Oil and Natural Gas Production

Global production of oil and natural gas in 2008 was approximately 81.8 million barrels per day and approximately 3,065.6 billion cubic metres respectively. The Middle East is the major oil producers in the world while Europe and Eurasia are the regions with the most natural gas production in the world in 2008. The following tables show the daily production of oil and natural gas of major producing countries/regions in 2008.

World's Oil Production in 2008

Country/Region	Barrels per day *'000*	Weighting in world's total*(Note 2)*	Change over 2007*(Note 2)*	Change over 2003
Saudi Arabia	10,846	13.1%	4.0%	6.7%
Russian Federation	9,886	12.4%	(0.8%)	15.7%
US	6,736	7.8%	(1.8%)	(9.0%)
Iran	4,325	5.3%	(0.2%)	3.4%
China	3,795	4.8%	1.4%	11.6%
Canada	3,238	4.0%	(2.0%)	7.8%
Mexico	3,157	4.0%	(9.1%)	(16.7%)
United Arab Emirates	2,980	3.6%	2.0%	14.2%
Kuwait	2,784	3.5%	5.3%	19.5%
Venezuela	2,566	3.4%	(1.9%)	0.5%
Others	31,507	38.1%	1.2%	8.6%
World total	81,820	100.0%	0.4%	6.3%

Note 2: Calculated on the basis of million tonnes per annum figures.

Source: BP Statistical Review of World Energy, June 2009

World's Natural Gas Production in 2008

Country/Region	Billion m^3	Weighting in world's total *(Note)*	Change over 2007 *(Note)*	Change over 2003
Russian Federation	601.7	19.6%	1.4%	7.2%
US	582.2	19.3%	7.5%	7.7%
Canada	175.2	5.7%	(5.1%)	(5.1%)
Iran	116.3	3.8%	3.6%	42.7%
Norway	99.2	3.2%	10.4%	35.7%
Algeria	86.5	2.8%	1.7%	4.4%
Saudi Arabia	78.1	2.5%	4.7%	30.0%
Qatar	76.6	2.5%	20.9%	144.0%
China	76.1	2.5%	9.6%	117.3%
Indonesia	69.7	2.3%	2.7%	(4.9%)
Others	1,104.0	35.9%	3.4%	23.8%
World total	3,065.6	100.0%	3.8%	17.2%

Note: Calculated on the basis of million tonnes of oil equivalent figures.

Source: BP Statistical Review of World Energy, June 2009

Overview of Global Oil and Natural Gas Consumption

Global consumption of oil and natural gas accounted for approximately 58.9% of the total global primary energy consumption in 2008. Daily global consumption of oil in 2008 amounted to approximately 84.5 million barrels, representing a decrease of approximately 0.6% from 2007. Daily oil consumption in China amounted to approximately 8.0 million barrels in 2008, representing a growth of approximately 3.3% from 2007, which was higher than the average growth rate of many developed countries.

In 2008, the world's natural gas consumption amounted to approximately 3,018.7 billion cubic metres, representing an increase of approximately 2.5% from 2007. Natural gas consumption in China amounted to approximately 80.7 billion cubic metres in 2008, representing an increase of 15.8% from 2007, accounted for the largest increment to global gas consumption.

The following tables show the daily consumption of oil and natural gas of major consuming countries/regions in 2008.

World's Oil Consumption in 2008

	Barrels per day *'000*	Weighting in world's total*(Note)*	Change over 2007*(Note)*	Change over 2003
US	19,418.7	22.5%	(6.4%)	(3.1%)
China	7,998.9	9.6%	3.3%	37.8%
Japan	4,845.5	5.6%	(3.5%)	(10.9%)
India	2,882.0	3.4%	4.8%	19.1%
Russian Federation	2,796.6	3.3%	3.1%	6.7%
Germany	2,504.7	3.0%	4.9%	(6.0%)
Brazil	2,396.8	2.7%	5.3%	20.7%
Canada	2,294.7	2.6%	(1.0%)	7.6%
South Korea	2,291.0	2.6%	(4.9%)	(0.4%)
Saudi Arabia	2,223.9	2.7%	8.1%	37.6%
Others	34,802.6	41.9%	0.8%	8.6%
World total	84,455.3	100.0%	(0.6%)	6.8%

Note: Calculated on the basis of million tonnes per annum figures.

Source: BP Statistical Review of World Energy, June 2009

World's Natural Gas Consumption in 2008

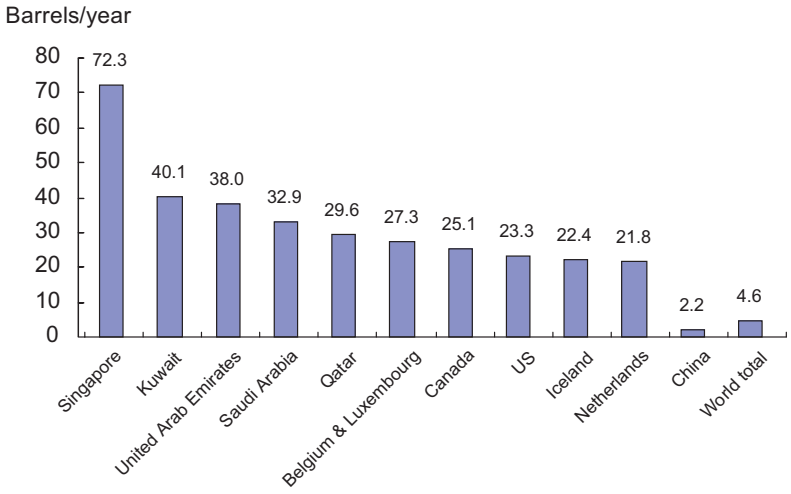
Country/Region	Billion m^3	Weighting in world's total*(Note)*	Change over 2007*(Note)*	Change over 2003
US	657.2	22.0%	0.6%	4.2%
Russian Federation	420.2	13.9%	(1.6%)	10.2%
Iran	117.6	3.9%	3.8%	41.9%
Canada	100.0	3.3%	3.2%	2.4%
United Kingdom	93.9	3.1%	3.0%	(1.5%)
Japan	93.7	3.1%	3.6%	17.5%
Germany	82.0	2.7%	(1.3%)	(4.1%)
China	80.7	2.7%	15.8%	138.0%
Saudi Arabia	78.1	2.6%	4.7%	30.0%
Italy	77.7	2.6%	(0.4%)	9.1%
Others	1,217.5	40.2%	4.6%	24.6%
World total	3,018.7	100.0%	2.5%	16.3%

Note: Calculated on the basis of million tonnes of oil equivalent figures.

Source: BP Statistical Review of World Energy, June 2009

World's average per capita consumption of oil and gas in 2008 was approximately 4.6 barrels and 451.1 cubic metres respectively. Among the 65 countries recorded in BP Statistical of World Energy (June 2009), Singapore and Qatar have the highest per capita consumption in oil and natural gas, respectively, in 2008. From 2003 to 2008, oil and natural gas consumptions in China grew at a CAGR of 6.6% and 18.9%, respectively, and such growths are much higher than the global CAGR of approximately 1.3% and 3.1% respectively during the same period. Notwithstanding the rapid growth of oil and natural gas consumption in China as compared to the developed countries, per capita consumption of oil and natural gas in China is still far below that of the developed countries.

2008 Per capita annual oil consumption

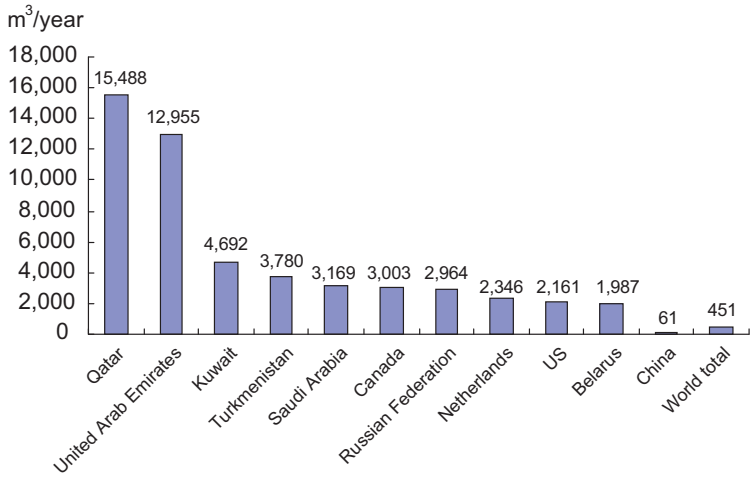


Note: Oil includes crude oil, shale oil, oil sands and the liquid content of natural gas, excludes liquid fuels from other sources such as biomass and coal derivatives.

Per capita consumption was calculated with 2008 population data from The World Bank Group

Source: BP Statistical Review of World Energy, June 2009

2008 Per capita annual natural gas consumption



Note: Per capita consumption was calculated with 2008 population data from The World Bank Group

Source: BP Statistical Review of World Energy, June 2009

The table below shows the proven reserves of oil and natural gas as at the end of 2008. The Middle East has the largest proven reserves of oil and natural gas amongst all other countries and regions in the world.

Oil	As at the end of 2008 *(Billion barrels)*	% of total	Natural Gas	As at the end of 2008 *(Trillion m^3)*	% of total
US	30.5	2.4%	US	6.73	3.6%
Canada	28.6	2.3%	Canada	1.63	0.9%
Mexico	11.9	0.9%	Mexico	0.50	0.3%
Total North America	**70.9**	**5.6%**	**Total North America**	**8.87**	**4.8%**
Venezuela	99.4	7.9%	Venezuela	4.84	2.6%
Brazil	12.6	1.0%	Bolivia	0.71	0.4%
Argentina	2.6	0.2%	Trinidad & Tobago	0.48	0.3%
Other South & Central America	8.5	0.7%	Other South & Central America	1.28	0.7%
Total South & Central America	**123.2**	**9.8%**	**Total South & Central America**	**7.31**	**4.0%**
Russian Federation	79.0	6.3%	Russian Federation	43.30	23.4%
Kazakhstan	39.8	3.2%	Turkmenistan	7.94	4.3%
Norway	7.5	0.6%	Norway	2.91	1.6%
Azerbaijan	7.0	0.6%	Kazakhstan	1.82	1.0%
United Kingdom	3.4	0.3%	Uzbekistan	1.58	0.9%
Italy	0.8	0.1%	Netherlands	1.39	0.8%
Other Europe & Eurasia	4.6	0.4%	Other Europe & Eurasia	3.94	2.1%
Total Europe & Eurasia	**142.2**	**11.3%**	**Total Europe & Eurasia**	**62.89**	**34.0%**
Saudi Arabia	264.1	21.0%	Iran	29.61	16.0%
Iran	137.6	10.9%	Qatar	25.46	13.8%
Iraq	115.0	9.1%	Saudi Arabia	7.57	4.1%
Kuwait	101.5	8.1%	United Arab Emirates	6.43	3.5%
United Arab Emirates	97.8	7.8%	Iraq	3.17	1.7%
Qatar	27.3	2.2%	Kuwait	1.78	1.0%
Other Middle East	10.9	0.9%	Other Middle East	1.89	1.0%
Total Middle East	**754.1**	**59.9%**	**Total Middle East**	**75.91**	**41.0%**
Libya	43.7	3.5%	Nigeria	5.22	2.8%
Nigeria	36.2	2.9%	Algeria	4.50	2.4%
Angola	13.5	1.1%	Egypt	2.17	1.2%
Algeria	12.2	1.0%	Libya	1.54	0.8%
Sudan	6.7	0.5%			
Egypt	4.3	0.3%			
Other Africa	8.9	0.7%	Other Africa	1.23	0.7%
Total Africa	**125.6**	**10.0%**	**Total Africa**	**14.65**	**7.9%**
China	15.5	1.2%	Indonesia	3.18	1.7%
India	5.8	0.5%	Australia	2.51	1.4%
Malaysia	5.5	0.4%	China	2.46	1.3%
Vietnam	4.7	0.4%	Malaysia	2.39	1.3%
Australia	4.2	0.3%	India	1.09	0.6%
Indonesia	3.7	0.3%	Pakistan	0.85	0.5%
Other Asia Pacific	2.6	0.2%	Other Asia Pacific	2.91	1.6%
Total Asia Pacific	**42.0**	**3.3%**	**Total Asia Pacific**	**15.39**	**8.3%**
Total World	**1,258.0**	**100.0%**	**Total World**	**185.0**	**100.0%**

Source: BP Statistical Review of World Energy, June 2009

China's Oil and Natural Gas Industry Outlook

In 2008, oil production in China amounted to 3.8 million barrels per day, representing an increase of 1.4% from 2007 and accounted for 4.8% of total daily global production of oil in 2008. In the same year, oil consumption in China amounted to approximately 8.0 million barrels per day, representing an increase of 3.3% from 2007. China is the world's second largest oil consuming country in 2008 and has become a net importer of oil since 1996. In 2008, approximately 47.6% of the oil consumed in China was imported from other countries.

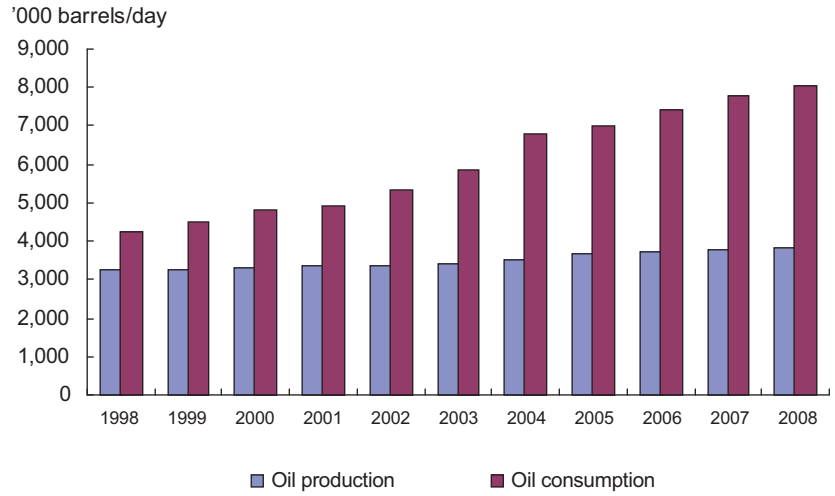
According to the forecast of the EIA, oil demand in China will reach approximately 10.0 million barrels per day in 2015 and 15.3 million barrels per day in 2030, with an annual average growth rate of approximately 3.2% from 2006 to 2030, the highest annual growth rate in the world and exceeding India's 2.4%, the second highest growth rate. For the same period, the forecasted global annual growth rate is only approximately 0.9%.

In 2008, natural gas production in China amounted to approximately 76.1 billion cubic metres, representing an increase of 9.6% from 2007 and accounted for approximately 2.5% of total global production of natural gas in 2008. In the same year, natural gas consumption in China amounted to approximately 80.7 billion cubic metres, representing an increase of 15.8% from 2007 compared to the global average growth rate of 2.5% from 2007 and accounted for the largest increment to global gas consumption in 2008.

EIA also forecasted that the natural gas demand in China will reach approximately 106.4 billion cubic metres in 2015 and 190.4 billion cubic metres in 2030, representing an average annual growth rate of approximately 5.2% from 2006 to 2030, significantly higher than the forecasted global annual growth rate of approximately 1.6% during the same period and being the country with the highest anticipated annual growth rate.

The following graphs show the production and consumption of oil and natural gas in the PRC during the period from 1998 to 2008.

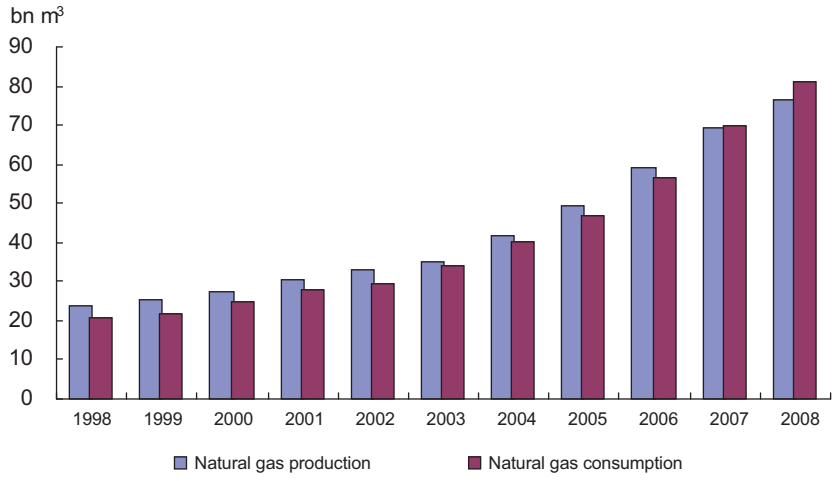
The PRC oil production and consumption ('000 barrels per day)



Note: Oil includes crude oil, shale oil, oil sands and the liquid content of natural gas, excludes liquid fuels from other sources such as biomass and coal derivatives.

Source: BP Statistical Review of World Energy, June 2009

The PRC natural gas production and consumption (billion m^3)

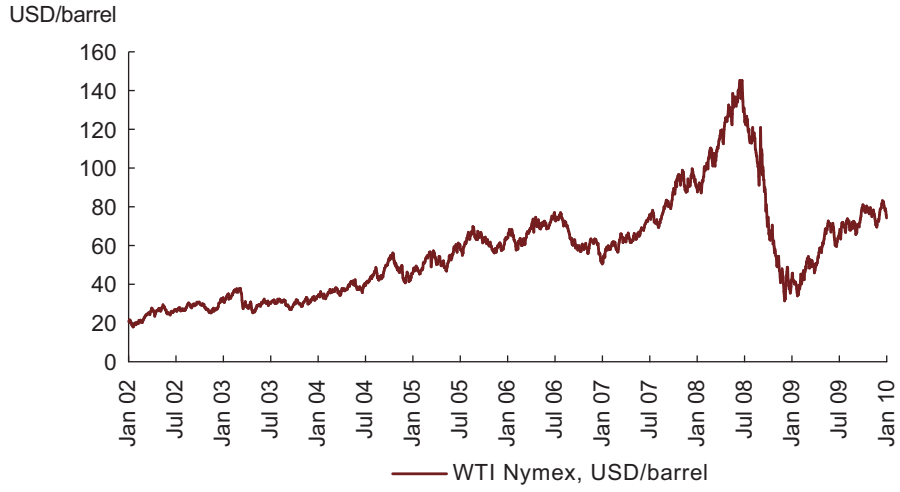


Source: BP Statistical Review of World Energy, June 2009

Capital Investments in the oil and natural gas industries

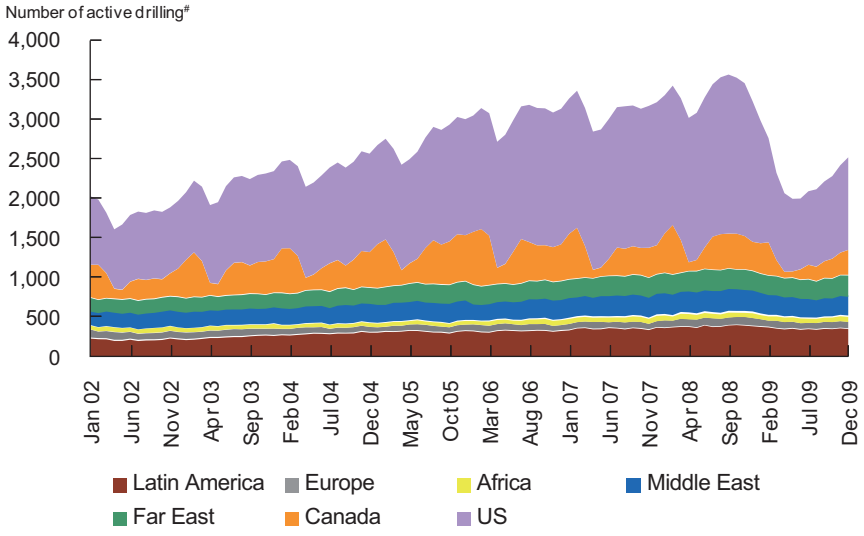
After the global financial turmoil in the third quarter of 2008, oil price has dropped significantly from the peak of over US$140 in July 2008 and bottomed at approximately US$31 in December 2008. Following the stabilisation of global economy, crude oil price started to pick up since the beginning of 2009. Induced by high oil and natural gas prices during 2007 and 2008, the industry experienced massive investments in exploration and drilling activities during the past few years. Moreover, the increasing demand and consumption of natural gas worldwide boost the transportation infrastructure. Higher usage of natural gas requires better and more economical transportation medium thus stimulate the construction of more pipelines. The following graphs show the West Texas Intermediate (WTI) crude oil price and the number of active drilling rigs in the world in recent years.

West Texas Intermediate (WTI) crude oil price



Source: Bloomberg

Worldwide rig count



Number of active drilling rigs actively working on oil and natural gas fields, monthly average.

Source: Baker Hughes Incorporated, a company listed on the New York Stock Exchange mainly engaged in the provision of oilfield products and services for drilling, formation evaluation, completion and production to the worldwide oil and gas industry, an Independent Third Party

CNPC, Sinopec and CNOOC are the three major oil and natural gas producers in China. In 2008, they together accounted for over 91.2% of the oil and natural gas production in China. Over the years, they have been increasing capital expenditure and investment on exploration and production ("**E&P**") activities. The following table sets out the capital expenditure on E&P by the listed arms of China's three major oil and gas producers.

E&P capital expenditure and investment by the listed arms of China's three major oil and gas producers (RMB million)

Year	PetroChina*(Note)*	Sinopec	CNOOC
2008	157,031	57,646	37,414
2007	135,060	54,498	26,942
2006	105,192	31,734	44,217
2005	83,214	23,095	17,470
2004	62,868	21,234	18,622
2003	52,713	20,628	12,373
CAGR	24.4%	22.8%	24.8%

Note: PetroChina is a listed subsidiary of CNPC

Source: Annual reports published by the listed arms of respective companies

Global Oil and Gas Pipelines

Pipeline transmission is one of the most economical, convenient and widely applied methods for conveying oil and gas. According to Pipeline and Gas Journal ("**P&GJ**")*(Note)* August 2009, global current and planned oil and gas pipelines constructions amounted to approximately 85,076 miles in 2009, compared with approximately 70,171 miles in 2008. Among these projects, pipelines under constructions were approximately 17,941 miles in 2009, down from approximately 19,015 miles of 2008, while planned pipeline constructions increased to approximately 67,135 miles in 2009 from approximately 51,156 miles in 2008.

Note: P&GJ is a Houston, Texas, USA, based trade journal in the pipeline construction and large civil pipeline industry that covers information on the technology, industry standards and best practices in oil and gas pipeline design, construction, operations and maintenance.

Despite the fall in the length of new pipeline construction, the international sector could see a record number of new pipeline miles constructed in the coming years. Construction of many long-planned projects is expected to be driven by higher energy prices and growing energy consumption.

The following two tables show the scale of current and planned oil and gas pipelines construction worldwide and some major pipeline projects in different regions. As shown in the table below, global pipeline construction activities are mainly concentrated in Asia Pacific, Russian Federation and Eastern Europe, North America and South and Central America/Caribbean. By comparing construction activities in 2009 with 2008, Asia Pacific saw the most remarkable growth of 65.0%, followed by Middle East's 30.8% and Africa's 14.7%. The Asia Pacific's strong growth was mainly driven by robust demand from China and India. New and planned pipeline projects increased in the Asia Pacific region from 33,412 miles in 2008 to 55,125 miles in 2009, among which actual pipeline construction mileage rose significantly from 4,755 to 10,419. Still, the region's pipeline construction continues to lag. Many of the delays are directly related to long-planned transnational natural gas pipelines being pursued by India and China with neighboring countries.

2005-2009 global current and planned pipeline construction by region (miles)

Region	2005	2006	2007	2008	2009	2009/2008 change %
North America	14,296	28,314	40,210	46,072	35,217	(23.6%)
South and Central America/Caribbean	6,707	8,957	10,855	18,929	20,736	9.5%
Africa	3,870	10,848	8,004	4,991	5,725	14.7%
Asia Pacific	15,156	13,212	23,248	33,412	55,125	65.0%
Russian Federation and Eastern Europe	10,626	15,161	11,319	32,178	33,674	4.6%
Middle East	669	3,941	3,146	4,993	6,532	30.8%
Western Europe and European Union countries	881	1,160	1,450	3,521	3,126	(11.2%)
Total	**52,205**	**81,593**	**98,232**	**144,096**	**160,136**	**11.1%**

Source: Worldwide Pipeline Construction Report issued by Pipeline & Gas Journal in January every year

Major pipeline projects worldwide

Location	Project
North America	• US$12.5 billion, 750-mile Mackenzie Valley Gas Pipeline, from Mackenzie River Valley to Alberta
	• US$3.0 billion, 2,148-mile Keystone Oil Pipeline, from Hardisty, Alberta to US Midwest markets at Wood River and Patoka, Illinois and to Cushing, Oklahoma
Asia Pacific Region	• US$20 billion, 4,785-mile Second West-East gas pipeline, from Turkmenistan and China's Xinjiang Uygur Autonomous Region to the Yangtze and Pearl River Deltas
	• Over US$14.6 billion Third West-East gas pipeline, from northwest region of China's Xinjiang and run parallel with the Second West-East gas pipeline to Jiangxi province and then take a different route to Shandong

Location	Project
	• US$2 billion oil and gas pipelines from Middle East and Africa to China, 685 miles for the oil pipeline and 1,744 mile for the gas pipeline
	• China section of the China-Russia oil pipeline, 640 miles long, of which construction is underway
	• 380-mile Dadri-Bawana-Nangal gas pipeline of India
	• US$500 million 318-mile 36-inch diameter Sabah Sarawak gas pipeline of Malaysia
	• A$161 billion 584-mile 18-inch gas pipeline of Australia from Wallumbilla in South East Queensland to Moomba
	• US$850 million 516-mile Queensland Hunter gas pipeline of Australia
Western Europe and European Union	• US$2.2 billion 325-mile Trans-Adriatic Pipeline to import gas directly into Europe from the Caspian and Middle East
Russian Federation and Eastern Europe	• US$10 billion Second Phase Eastern Siberia Pacific Ocean (ESPO) oil pipeline extending the line to the Pacific coast port of Nakhodka (total length 2,500 miles for the two phases together)
	• US$20 billion 550-mile South Stream gas pipeline connecting Russia and Italy via a pipeline under the Black Sea and pass through Central European states, including Bulgaria, Greece, Hungary and Serbia
	• 745-mile Nord Stream gas pipeline running along the bottom of the Baltic Sea, mostly in Finnish waters, from Wyborg, Russia to Greifswald, Germany
	• Nabucco gas pipeline from Caspian Sea fields to the European Union
	• 640-mile China-Russia oil pipeline of which construction is underway
	• 120-mile segment of Turkmenistan-China natural gas pipeline that will transport gas from eastern Turkmen fields and traverse Uzbek and Kazakh territory before reaching Xinjiang in eastern China
Middle East	• 487-mile Abu Dhabi Crude Oil Pipeline connecting Abu Dhabi's largest onshore oilfields at Habshan to storage and export facilities on Fujairah's coast
	• 315-miles of 30-inch diameter pipelines to transport diesel and kerosene from the refineries in RasTanura to Riyadh and also to Dhahran and Al-Hasa along the way

Location	Project
South and Central America/ Caribbean	• US$530 million 145-mile oil pipeline from fields Rubiales, in the central province of Meta, to a pumping station in Monterrey, a municipality in the eastern province of Casnare
	• 255-mile pipeline that will connect to an existing pipeline network east of the Andes
	• US$1 billion South Andean Pipeline (for gas) that will start at the Camisea gas fields in Cusco, and then proceed south through the cities of Puno, Arequipa, Matarani, and Ilo, and possibly further on to Tacna
	• 10 gas pipeline construction (1,580 miles in length) by Brazil's Petrobras in 2009-13
Africa	• US$1.2 billion 120-mile Medgaz project that will link Beni Saf, Algeria to Almeria, Spain, with an eventual extension to France
	• 560-mile Galsi pipeline to transport Algerian gas to Italy
	• $580 million 220-mile GK3-Lot 3 gas pipeline from Mechtatine to Tamlouka in the northeast of Algeria, then connecting the latter to Skikda and El-Kala
	• 185-mile oil pipeline from the Koudalwa field to the Djarmaya refinery north of the capital
	• US$13 billion 2,800-mile Trans-Saharan natural gas pipeline to provide gas to Europe from Nigeria via Niger and Algeria

Source: Data of North America from P&GJ's 2009 Worldwide Pipeline Construction Report, Pipeline & Gas Journal, January 2009, and others from 2009 International Pipeline Construction Report, Pipeline & Gas Journal, August 2009

Pipeline transmission of oil and gas in China

According to National Bureau of Statistics of China, in 2008, oil and gas pipelines in China amounted to 58,300 km, representing a CAGR of approximately 11.3% from 2000. The following table shows the growth in length and transmission volume of oil and gas pipelines in China from 2000 to 2008.

Length and transmission volume of oil and gas pipelines in China

Year	2000	2001	2002	2003	2004	2005	2006	2007	2008
Total length ('000 km)	24.7	27.6	29.8	32.6	38.2	44.0	48.1	54.5	58.3
Transmission volume (million tonnes)	187.0	194.4	201.3	220.0	247.3	310.4	334.4	405.5	453.8

Source: National Bureau of Statistics of China, 2008 China Statistics Yearbook

According to the estimate by China Petroleum and Petrochemical Engineering Institute (a subsidiary of PetroChina and a reputable consultancy institute in China's petrochemical industry, which provides analysis and research on strategic planning, technology development and proof design, formulating research plan, consultancy and valuation, technique and economic analysis and an Independent Third Party), during the "11th Five-year Period" (from 2006 to 2010), China will construct 4,000 km of crude oil pipelines, 10,000 km of refined products pipelines, and 10,000 km natural gas pipelines.

THE STEEL PIPE INDUSTRY

Steel pipe products

Steel pipes, which are made from carbon steel, alloy steel and stainless steel, are used extensively in the building construction industries and the energy and transportation industries to convey liquids and/or gases. They are specified according to grading, outside diameter (OD) and wall thickness in inch or mm. In general, steel pipes can be broadly categorised into seamless steel pipes and welded steel pipes according to the method of production.

Seamless steel pipes are formed by drawing a solid billet over a piercing rod to create the hollow shell. Seamless steel pipes provide the most reliable pressure retaining characteristics and are commonly used in boilers. Seamless steel pipes are further categorised into hot-rolled pipes and cold-rolled pipes. Hot-rolled pipes have an outer diameter of larger than 32 mm and a thickness of 2.5-75 mm. Cold-rolled pipes have an outer diameter as small as 6 mm and a thickness of 0.25mm.

Welded steel pipes are formed by rolling plate and welding the seam. Welded steel pipes can be produced by two different manufacturing methods, namely electric resistance welded (ERW) and submerged arc welded (SAW). SAW method can be further divided into longitudinal submerged arc welded (LSAW) and spiral submerged arc welded (SSAW). SAW steel pipes that manufactured from steel plates are called LSAW steel pipes as steel plates are rolled and longitudinally welded to form a pipe shape. SSAW steel pipes are made from hot rolled coil where in the coil is welded spirally to form a shape of pipe.

Both ERW steel pipes and SAW steel pipes have wide applications as structural elements such as gas mains, water, irrigation and sanitation pipes, steel tubular piles and hollow structural sections for building construction use, structural and mechanical pipes in marine engineering projects, and mechanical pipelines and line pipes in the oil and natural gas industry. Due to the larger size of SAW steel pipes, they are used as main and long distance pipelines, especially for the transmission of oil and gas whereas ERW steel pipes are used as sub-pipelines.

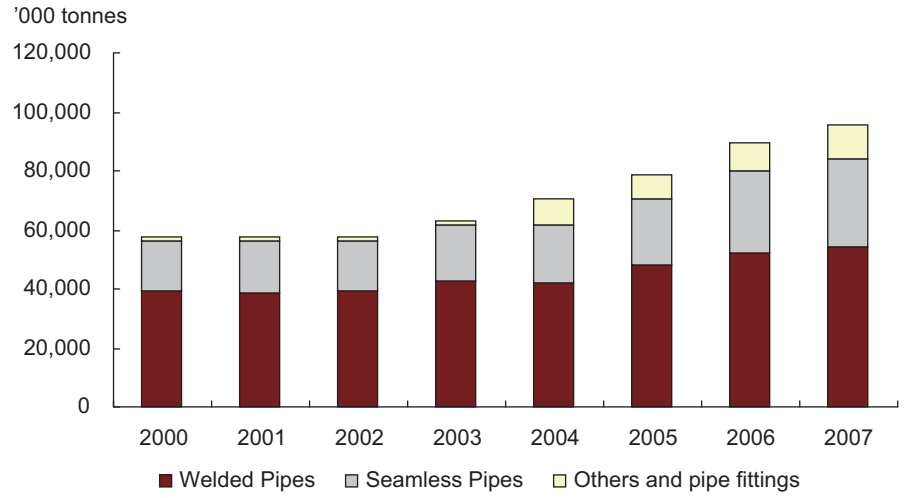
SSAW and ERW steel pipes are both made from steel coils whereas LSAW steel pipes are made from steel plates. ERW is limited by the coil width and is accordingly suitable for the manufacture of steel pipes that are thinner in wall thickness and smaller in diameter. ERW and SSAW steel pipes, which are made from hot-rolled coils, have a wall thickness of 25 mm or less. LSAW steel pipes, which are made from tailor-made steel plates, can have a wall thickness of over 25 mm. ERW steel pipes can have an outside diameter up to 610 mm, LSAW steel pipes can have an outside diameter of 457 mm or larger, and SSAW steel pipes can have an outside diameter of 660 mm or larger. Due to the nature of the weld strength of pipes, SSAW and ERW steel pipes are usually used in less demanding applications and LSAW steel pipes are preferred in more demanding applications. Moreover, LSAW steel pipes usually command higher prices than ERW and SSAW steel pipes due to the more costly tailor-made steel plates and production process.

Global steel pipe industry overview

The global production of steel pipes and steel fittings reached 95.6 million tonnes in 2007, representing a CAGR of 7.6% from 2000 to 2007. Seamless and welded steel pipes accounted for approximately 30.7% and approximately 57.0%, respectively, of total steel pipes and pipe fittings produced in 2007.

The following graph shows the world's production of steel pipes, seamless and welded steel pipes.

2000-2007 worldwide production of seamless and welded steel pipes

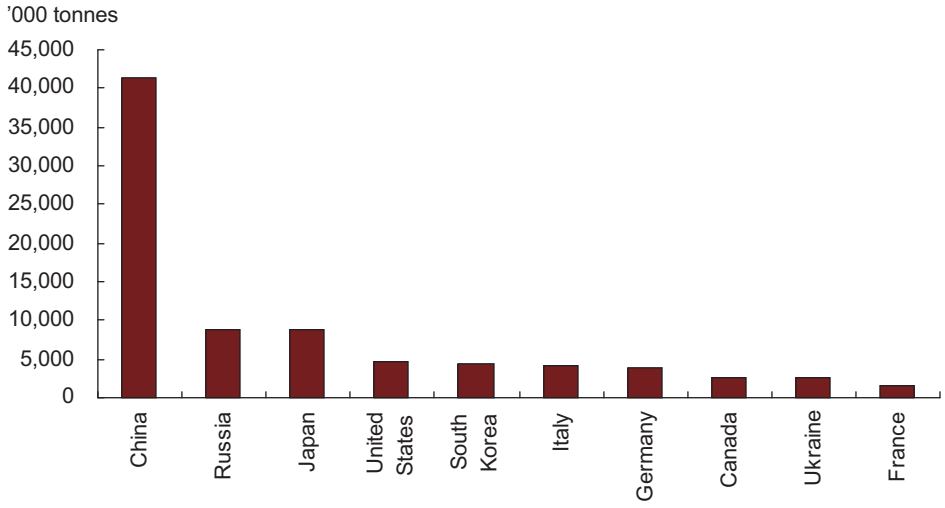


Source: World Steel Association, Steel Statistical Yearbook 2008. World Steel Association, an Independent Third Party, was founded as the International Iron and Steel Institute on 19 October 1967, is a non-profit organisation with headquarters in Brussels, Belgium which represents approximately 180 steel producers, national and regional steel industry associations, and steel research institutes with its members produce around 85% of world's steel.

The world's top ten steel pipes producing countries are China, Russia, Japan, USA, South Korea, Italy, Germany, Canada, Ukraine and France.

The following graph shows top ten countries in terms of production of steel pipes and pipe fittings in 2007 and the relevant percentages to the World's total production:

2007 top ten steel pipes and pipe fittings producing countries



Source: World Steel Association, Steel Statistical Yearbook 2008

China steel pipe industry overview

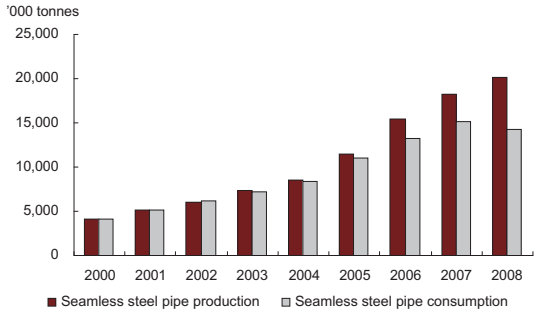
Since 2000, China outplayed Japan and became the largest steel pipes producing country in the world. Welded and seamless steel pipes produced in China in 2007 accounted for approximately 42.4% and 61.9% of world's total production of welded and seamless pipes of the same year respectively, while total steel pipes and pipe fittings produced in China accounted for approximately 43.1% of world's total steel pipes and pipe fittings.

According to China Iron and Steel Association (CISA), from 2000 to 2008, production and consumption of steel pipes in China rose at a CAGR of approximately 21.4% and 17.7%, respectively. In 2008, production of seamless and welded steel pipes in China accounted for approximately 45.7% and 54.3%, respectively, of total steel pipes production in China.

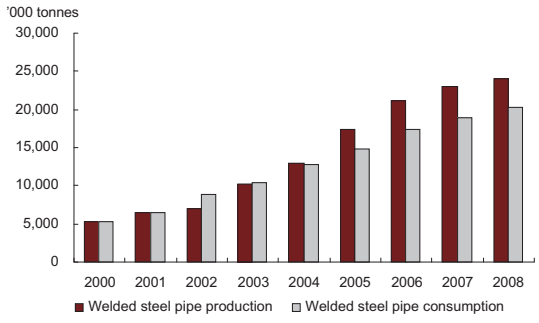
During the period from 2000 to 2008, production of steel pipes in China accounted for approximately 7.2% to 8.8% of all crude steel production and as to approximately 53.5% to 60.5% of which are welded steel pipes. China's production of welded steel pipes grew at a CAGR of 21.0% from 2000 to 2008, compared to 21.8% for seamless pipes.

The following two graphs set out the production and consumption of seamless and welded steel pipes in China from 2000 to 2008.

2000-2008 China's production and consumption of seamless steel pipes



2000-2008 China's production and consumption of welded steel pipes



Source: CISA

In 2008, production of welded steel pipes reached approximately 24.0 million tonnes, accounted for approximately 54.3% of total steel pipes production in China. The following table shows the major applications of welded steel pipes produced in China and their respective percentage to total welded steel pipe production during 2004 to 2007.

Major applications of welded steel pipes produced in China in 2004 to 2007 ('000 tonnes)

	2004		2005		2006		2007	
Transportation[(Note)]	991	7.6%	759	4.3%	1,195	5.6%	2,548	11.0%
Oil well	379	2.9%	731	4.2%	1,056	5.0%	247	1.1%
Boiler	174	1.3%	56	0.3%	185	0.9%	71	0.3%
Automobile axis	43	0.3%	7	0.0%	18	0.1%	6	0.0%
Others	11,426	87.8%	15,915	91.1%	18,759	88.4%	20,209	87.6%
Total	**13,013**	**100.0%**	**17,468**	**100.0%**	**21,213**	**100.0%**	**23,081**	**100.0%**

Note: Mainly for the transportation of oil, gas and water.

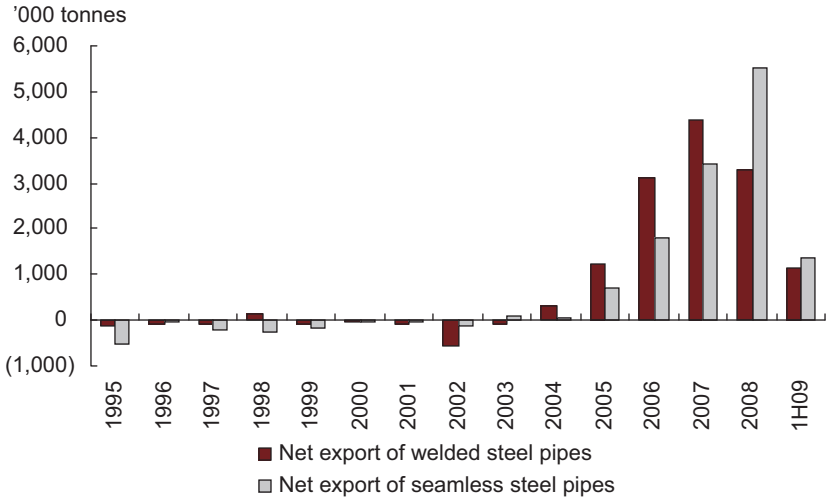
Source: CISA

It was estimated that in 2007 the steel pipes in China were mainly consumed by the construction industry, the mechanical manufacturing industry and the light industry, which accounted for approximately 55.0%, 15.5% and 7.9%, respectively, of total steel pipes consumption.

Technology used in exported steel pipe products has been improving in recent years. Since 2004, China has become a net exporter of steel pipes. From 2005 to 2008, export of steel pipes from China grew at a CAGR of 44.8% to 10.64 million tonnes, among which export of welded steel pipes grew at a CAGR of 32.1% to 3.80 million and export of seamless pipes grew at a CAGR of 63.5% to 6.09 million tonnes. In 2008, export of steel pipes from China accounted for approximately 24% of the domestic production.

The following graph shows China's net exports of welded and seamless steel pipes from 1995 to the first half of 2009.

China's net exports/(imports) of welded and seamless steel pipes

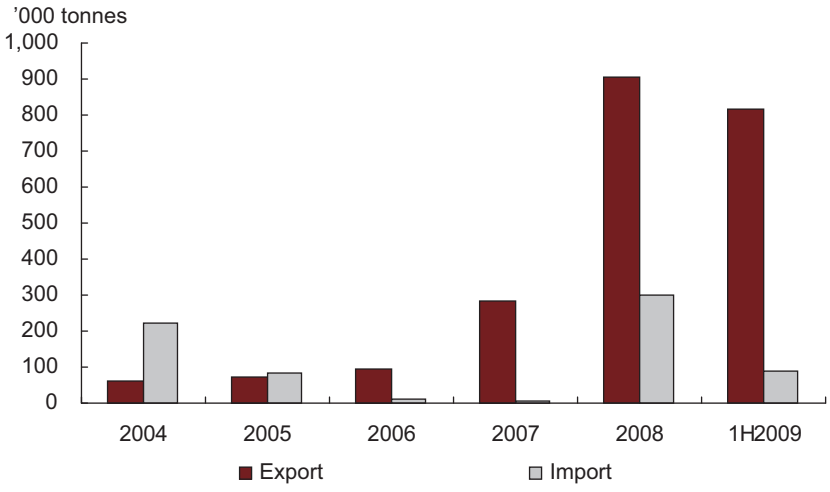


Source: National Bureau of Statistics, CEIC Data Company Ltd., a comprehensive data provider incorporated in Hong Kong, an Independent Third Party

Note: Negative data indicate net import while positive data indicate net export.

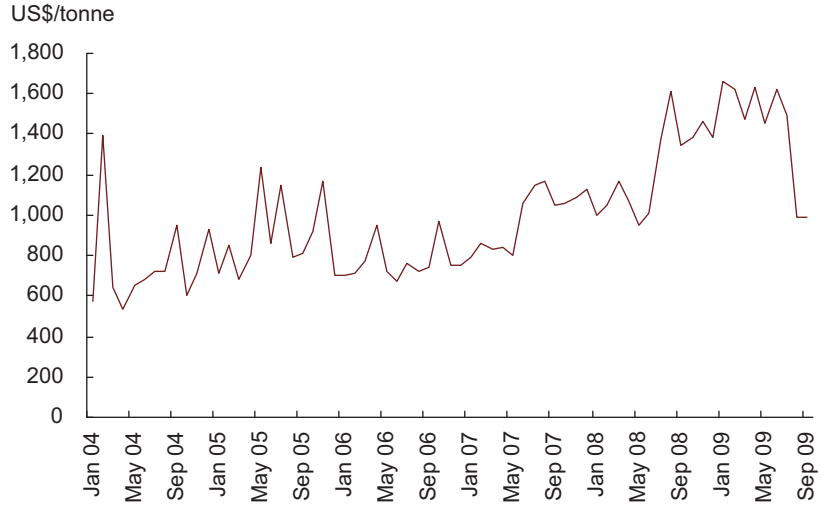
The following two graphs show China's import and export of LSAW oil and gas steel pipes and export price from 2004 to the first half of 2009.

China's import and export of LSAW oil and gas steel pipes (outside diameter>406.4mm)



Source: China Customs, Antaike

Export price of China's LSAW oil and gas steel pipes (outside diameter>406.4mm) (monthly average)



Source: China Customs, Antaike

In 2008, export of welded steel pipes accounted for approximately 35.8% of total pipes exported from China, of which, 18.9% are linepipes for the transportation of oil and gas. The following table shows the types of pipes exported from China during 2006 to the eight months ended 31 August 2009.

	2006		2007		2008		2009 (Jan – Aug)	
	('000 tonnes)	*% to total*	*('000 tonnes)*	*% to total*	*('000 tonnes)*	*% to total*	*('000 tonnes)*	*% to total*
Welded steel pipes	**3,370**	**52.6%**	**4,630**	**49.6%**	**3,804**	**35.8%**	**1,690**	**40.6%**
Linepipes for oil and gas transportation	645	10.1%	1,068	11.4%	2,014	18.9%	1,007	24.2%
– LSAW steel pipes with diameter > 406.4 mm	*114*	*1.8%*	*282*	*3.0%*	*370*	*3.5%*	*189*	*4.5%*
– Other longitudinal pipes with diameter > 406.4 mm	*39*	*0.6%*	*101*	*1.1%*	*235*	*2.2%*	*49*	*1.2%*
– Other linepipes with diameter > 406.4 mm	*371*	*5.8%*	*366*	*3.9%*	*723*	*6.8%*	*493*	*11.9%*
– Others linepipes	*122*	*1.9%*	*319*	*3.4%*	*686*	*6.4%*	*276*	*6.6%*
Oil well pipes	136	2.1%	198	2.1%	660	6.2%	96	2.3%
Others welded steel pipes	2,589	40.4%	3,363	36.0%	1,130	10.6%	587	14.1%
Seamless steel pipes	**2,505**	**39.1%**	**3,954**	**42.3%**	**6,091**	**57.3%**	**2,076**	**49.9%**
Others	**531**	**8.3%**	**755**	**8.1%**	**742**	**7.0%**	**392**	**9.4%**
Total export of pipes	**6,406**		**9,338**		**10,637**		**4,158**	

Source: China Customs, CSPA

Supply of steel coils and steel plates for line pipe production in China

Supply of medium-heavy steel coils, a type of hot rolled steel coils, and medium-heavy steel plates supply in China has improved significantly since 2002. China has been making net exports of the two steel products since 2005. In 2008, China produced approximately 73.6 million tonnes of medium-heavy steel coils and 55.5 million tonnes of medium-heavy steel plates. Net exports of medium-heavy steel coils and medium-heavy steel plates from China accounted for 11.2% and 12.7%, respectively, of domestic consumptions.

The following tables summarise China's production and consumption of medium-heavy steel coils and medium-heavy steel plates from 2004 to 2008.

2004-2008 China's production and consumption of medium-heavy steel coils ('000 tonnes)

Year	Production	Export	Import	Apparent consumption	chg %	Net export
2004	26,813	1,880	3,401	28,334	29.7%	(1,521)
2005	37,070	2,459	2,316	36,927	30.3%	143
2006	45,408	5,173	2,166	42,041	14.82%	3,007
2007	62,980	6,828	1,320	57,472	38.5%	5,508
2008	73,645	8,385	965	66,225	15.2%	7,420

Source: China Iron & Steel Association, Antaike

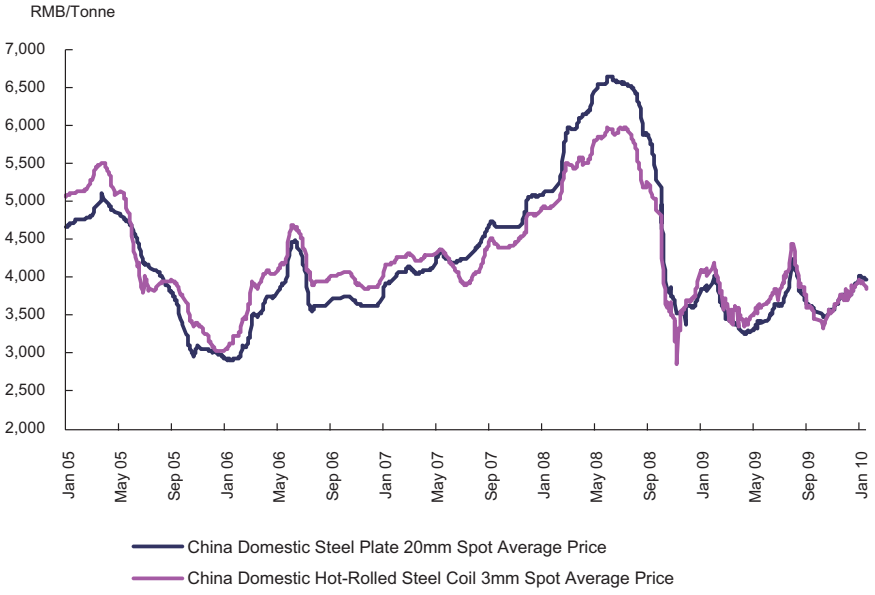
2004-2008 China's production and consumption of medium-heavy steel plates ('000 tonnes)

Year	Production	Export	Import	Apparent consumption	chg %	Net export
2004	24,277	581	2,079	25,775	n.a.	(1,498)
2005	29,426	1,268	1,068	29,226	13.4%	200
2006	35,510	3,797	969	32,682	11.8%	2,828
2007	48,392	7,403	1,124	42,113	28.9%	6,279
2008	55,480	7,457	1,211	49,234	16.9%	6,246

Source: China Iron & Steel Association, Antaike

The following graph shows the price indexes of hot-rolled steel coils and medium-heavy steel plates in China in recent years.

Prices of hot-rolled steel coils and medium-heavy steel plates in the PRC



Source: Antaike, Bloomberg

REGULATORY MATTERS

As our business operations are substantially based in the PRC, our Directors consider that we are subject to and will be affected by change in the rules and regulations of the PRC and that, to the best knowledge and belief of our Directors, we are not aware of any particular rules and regulations in any jurisdictions where our Group has sales to overseas customers which are applicable to our Group, other than those customary regulations on import and export customers clearance which are generally applicable to all enterprises in the PRC. Summarised below are some of the most important laws, regulations and policies relating to the investment in, and the operation of, the steel pipe production industry:

PRC laws and regulations on foreign investments in steel pipe industry

According to the《外商投資產業指導目錄》(Catalogues for the Guidance of Foreign Investment Industries*) (including the one jointly promulgated by the State Development and Reform Commission and the Ministry of Commerce on 31 October 2007), projects relating to the manufacturing of oil transmission steel pipes and other steel processing projects are consolidated and classified into the foreign investment-permitted category.

PRC laws and regulations on supervision of the production of steel pipes

According to《石油天然氣管道安全監督與管理暫行規定》(Provisional Regulations on Supervision and Management on Safety of Oil and Natural Gas Pipelines*) promulgated by the former State Economic and Trade Commission on 24 April 2000, the manufacturers of steel pipes are required to strictly implement the national technical standards for the production of steel pipes when producing oil conveying steel pipes. Manufacturers of steel pipes will have a complete quality assurance system with the facilities necessary for the production, testing and inspection of steel pipes, and carry out quality control in accordance with the technical requirements and quality standards for the production of steel pipes. They should strictly conduct the testing and inspection on their products in accordance with the inspection standards for steel pipes and make delivery for use only after passing relevant inspection.

According to《特種設備安全監察條例》(Regulations on Safety Supervision for Special Equipment*) which was promulgated by the State Council on 11 March 2003 became effective on 1 May 2009 after revision on 24 January 2009, the manufacturers of pipes, tube fittings, valves, flanges, compensators, safety protection devices (hereinafter referred to as the "**Pressure Pipeline Components**") used for pressure pipelines shall be approved by the special equipment safety supervision and management authorities under the State Council before undertaking such activities. The production process of the Pressure Pipeline Components is subject to the supervision and tests by the inspection and testing institutes authorised by the special equipment safety supervision and management authorities under the State Council in accordance with the safety and technical standard. Products that fail to pass such inspection and tests are not permitted to leave the factory or make delivery for use.

According to 《關於將石油天然氣工業用焊接鋼管等5類工業產品實行特種設備製造許可證管理的通知》(Notification on the Implementation of Special Equipment Production License Management for the Five Industrial Products Including the Industrial Welded Steel Pipes for Petroleum and Natural Gas*) promulgated by the General Administration of Quality Supervision, Inspection and Quarantine of the PRC on 20 April 2006, the industrial welded steel pipes for petroleum and natural gas shall obtain the production license of special equipment (Pressure Pipeline Components) since 1 May 2006. The production license of special equipment is controlled and issued by the 國家質量監督檢驗檢疫總局 (General Administration of Quality Supervision, Inspection and Quarantine of the PRC*). According to the relevant national standards and industry standards, manufacturers of Pressure Pipeline Components shall obtain a production license of special equipment before undertaking production activities.

According to《壓力管道元件製造許可規則》(Pressure Piping Components Manufacture Appraisal Regulation*) promulgated by 國家質量監督檢驗檢疫總局 (the General Administration of Quality Supervision, Inspection and Quarantine of the PRC*) on 27 October 2006 and took effect on 1 January 2007, the General Administration of Quality Supervision, Inspection and Quarantine of the PRC manages and supervises the permission for domestic and overseas manufacturing of Pressure Pipeline Components and is responsible for the issue of the manufacturing licence for special equipment to qualified manufacturers. Qualified manufacturers shall have the capabilities to produce the Pressure Pipeline Components that meet the prescribed requirements and the staff, production conditions and testing means of such manufacturers shall meet the following conditions:

(i) having retained professional technicians, and testing and technical workers who are eligible to be deployed for the manufacturing process;

(ii) having put in place satisfactory production conditions, including sites and work places, storage and warehouse for raw materials and products, office conditions, production equipment, technical equipment for the manufacturing of licensed products;

(iii) having acquired the appropriate testing means, including testing equipment, physic-chemical testing equipment, non-destructive testing equipment, measure instrument and examination conditions to meet the ex-factory testing purposes to ensure the manufacturing of quality products; and

(iv) having the capabilities to handle the principal manufacturing process and the final testing.

The licensed manufacturers, who seek to continue their production operation after the expiration of the licence, must apply to the relevant governmental bureau for the renewal of the licence within six months prior to the expiration of the licence.

According to《特種設備安全監察條例》(Regulations on Safety Supervision for Special Equipment*), and《特種設備作業人員監督管理辦法》(the Measures for the Supervision and Administration of the Operating Personnel of Special Equipment*), promulgated on 10 January 2005 by 國家質量監督檢驗檢疫總局 (the General Administration of Quality Supervision, Inspection and Quarantine of the PRC*) and effective on 1 July 2005, staff operating specialised equipment and conducting quality control inspection procedures are required to attend specialised technical external training courses and to obtain《特種設備作業人員證》(Special Equipment Operating Personnel Licenses*) in order to be qualified to operate such specialised equipment or conduct quality control inspections. In addition, staff operating such specialised equipment are also required to satisfy the following conditions: (i) a minimum age requirement of 18 years old; (ii) of good health and able to meet the requisite physical requirements for operating specialised equipment; (iii) an educational background complying with the requirements for operating specialised equipment; (iv) having the requisite working experience for operating specialised equipment; (v) having the requisite knowledge and skills of working safety guidelines and procedures in relation to the operation of specialised equipment; and (vi) complying with such other requirements as provided from time to time by industrial standards or norms on work safety practices.

PRC laws and regulations governing the steel industry

According to《鋼鐵產業調整和振興規劃》(Blueprint for the Adjustment and Revitalization of the Steel Industry*) issued by **國務院辦公廳** (General Office of the State Council*) on 20 March 2009, which outlined the adjustment and revitalisation of the steel industry for the period from 2009 to 2011, China's steel industry faces issues such as surplus in overall production capacity, weak in product innovation, prolonged planning of industry production and low concentration of industrial development. Certain objectives are outlined, which include the resumption of overall production capacity to a reasonable level, having breakthroughs by eliminating laggard production capacity, enjoying significant progress through merger and restructuring, great advancement in technology upgrade and enhancement in the ability of self-innovation. Several specific initiatives are also mentioned, such as raising tax rebates for the export of some steel products, increasing investment in technological advancement and transformation, improving arrangements for the retirement of technologically laggard plants, improving the policy of corporate restructuring, raising the quality standard of steel products used in construction projects, implementing administrative policies for the coordinated development of steel and related industries, and encouraging and supporting the cooperation and coordinated development among steel manufacturers and steel users.

On 26 September 2009, 國務院 (the State Council*) issued《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)*). Certain major principles were put forward, namely, restricting additional capacity and optimising existing capacity, growing emerging industries and upgrading traditional industries, adopting market orientation and macro controls. It also requires the restriction on the overall production capacity and constraining surplus production capacity, encourages the development of new industries and products that are high-tech, high value-added, low consumption and low emission, enhances merger and corporate restructuring as well as industry consolidation, expedites the retirement of technologically laggard plants, emphasises technology advancement, improves existing capacity, adjusts product mix and pursues an efficient, quality and sustainable industrial development.

The foregoing principles aim at integrating the resources of steel manufacturers by merging and reorganising the small-medium companies and eliminating old and outdated production facilities so as to maintain the sustainable development of the steel manufacturing industry. As most of our steel suppliers are large and reputable steel companies, and the raw materials we require for our production are regarded as special high value-added and high quality steel, our Directors believe the foregoing principles have no immediate and adverse impact on our raw materials procurement. On the contrary, the aforesaid principles

require the steel manufacturers to refine their product structure and eliminate the outdated products and production facilities, which lead to the increase in the production of special steels that we currently procure. Meanwhile, our steel plates and steel coils suppliers became more proactive and approached us for marketing of their steel products. Therefore, to the best knowledge of our Directors, with the enforcement of the aforesaid provisions, the prices of raw materials such as steel plates and steel coils are comparatively more stable in 2009 compared to the year-on-year increase in the three years ended 31 December 2008. For the fluctuation in the price of steel plates and steel coils, please refer to the paragraph headed "We are subject to fluctuations in steel price." in the section headed "Risk factors" in this prospectus.

PRC laws and regulations on environmental protection

According to《中華人民共和國環境保護法》(Environmental Protection Law of the People's Republic of China*) (the "**Environmental Protection Law**") which became effective on 26 December 1989, entities that cause environmental pollution and other public hazards shall incorporate the work of environmental protection into their plans and establish a responsibility system for environmental protection, and must adopt effective measures to prevent and control the pollution and harms caused to the environment by waste gas, waste water, waste residues, dust, malodorous gases, radioactive substances, noise, vibration and electromagnetic radiation generated in the course of production, construction or other activities.

Installations for the prevention and control of pollution at a construction project must be designed, built and commissioned together with the principal part of the project. No permission shall be given for a construction project to be commissioned or used, until its installations for the prevention and control of pollution are examined and considered up to the standard by the competent department of environmental protection administration that examined and approved the environmental impact statement.

In accordance with《建設項目環境保護管理條例》(Regulations on the Administration of Construction Project Environmental Protection*) as promulgated and effective on 29 November 1998 and《中華人民共和國環境影響評價法》(Law of the People's Republic of China on Appraising of Environment Impacts*) as officially effective on 1 September 2003, the construction project environmental impact evaluation system is adopted and implemented. China implements classified control over construction project environmental protection in accordance with the extent of environmental impact of construction projects. A report on environmental impact shall be compiled for a construction project that may cause major impact on the environment, giving comprehensive and detailed evaluation of the pollution generated and environmental impact caused by the construction project; a statement on environmental impact shall be compiled for a construction project that may cause light impact on the environment, giving analysis or special-purpose evaluation of the pollution generated and environmental impact caused by the construction project; and a registration form shall be filled out and submitted for a construction project that has slight impact on the environment and necessitates no environmental impact evaluation. The environmental impact appraisal documents of such construction projects shall be submitted by the construction entity according to the relevant provisions of the nation to the competent administrative department in charge of environmental protection for examination and approval. In case the environmental impact appraisal documents fail to pass the examination or fail to be approved after examination, the examination and approval department of the project may not approve the construction thereof, and the construction entity may not start the construction of such project.

According to《中華人民共和國水污染防治法》(Law of the People's Republic of China on Prevention and Control of Water Pollution*) which came into effect on 1 November 1994, and the further amendments of which have been implemented on 1 June 2008, new construction projects and expansion or reconstruction projects and other installations on water that directly or indirectly discharge pollutants to water bodies shall carry out environmental impact evaluation subject to relevant laws of the PRC. Enterprises and institutions that discharge pollutants directly or indirectly into a water body shall obtain the Pollutant Discharge License. Enterprises and institutions that discharge pollutants directly or indirectly into a water body shall report to and register with the local environmental protection departments at or above the county level their existing facilities for discharging and treating water pollutants, and the categories, quantities and concentrations of pollutants discharged under their normal operating conditions, and also provide to the same department technical information concerning prevention and control of water pollution. Enterprises and institutions that directly discharge pollutants into a water body shall pay a pollutant discharge fee in accordance with the categories and quantities of pollutants discharged and pollutant discharge fee standards.

In accordance with《中華人民共和國大氣污染防治法》(Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution*) which became effective on 1 September 2000, installations for the prevention of air pollution of new construction projects and expansion or reconstruction projects which discharge pollutants into the atmosphere shall be subject to regulations of the nation on the environmental protection. Entities that discharge pollutants into the atmosphere shall report to the local competent administrative department in charge of environmental protection their existing facilities for discharging and treating atmospheric pollutants, and the type, quantity and concentrations of pollutants discharged under their normal operating conditions, and also provide to the same department technical information concerning prevention and control of atmospheric pollution. The PRC government implements a system of collecting pollutant discharge fee in accordance with the type and quantity of pollutants discharged into the atmosphere, stipulating a reasonable pollutant discharge fee standards according to the requirements for strengthening the prevention and control of atmospheric pollution and the economic and technical conditions of the nation.

According to《中華人民共和國固體廢物污染環境防治法》(Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes*), entities discharging industrial solid wastes shall establish and improve the responsibility system for the prevention and control of environmental pollution and adopt measures for the prevention and control of environmental pollution by industrial solid wastes. The nation operates a system for declaration and registration of industrial solid wastes. The entities discharging industrial solid wastes shall, in accordance with the relevant regulations, provide information about the categories, discharging amount, flow direction, storage, treatment and other materials concerning industrial solid wastes to the environmental protection administrative department of the local government at or above the county level where such entities are located.

In accordance with《中華人民共和國環境噪聲污染防治法》(Law of the People's Republic of China on Prevention and Control of Environmental Noise Pollution*) which came into effect on 1 March 1997, any industrial enterprise that produces environmental noise pollution due to the use of permanent equipment in the course of industrial production must, in accordance with the regulations of the competent administrative department for environmental protection under the State Council, report to the competent administrative department for environmental protection where such entities are located the types and quantity of its equipment that produces environmental noise pollution, the noise level produced under normal operation and the facilities installed for prevention and control of such pollution, and provide technical information relating to the prevention and control of noise pollution. Entities that produce environmental noise pollution shall take measures to control it and pay fees for excessive emission of such pollution according to the regulations of the nation.

PRC laws and regulations on labor and production safety

According to《中華人民共和國勞動合同法》(Labor Contract Law of the People's Republic of China*) which came into effect on 1 January 2008, in order to establish an employment relationship between an employer and an employee, a written employment contract shall be concluded. When an employer hires an employee, the employer shall truthfully inform the employee as to the content of the work, the working conditions, the place of work, occupational hazards, production safety conditions, labor compensation and other matters which the employee requests to be informed about. The employer and the employee shall each fully perform its/his/her obligations in accordance with the employment contract. Employers shall pay their employees labor compensation on time and in full in accordance with the employment contracts and state regulations. Employers shall strictly implement the work quota standards and may not compel or in a disguised manner compel employees to work overtime. At the time of termination or ending of an employment contract, the employer shall issue a proof of termination or ending of the employment contract and, within 15 days, carry out the procedures for the transfer of the employee's file and social insurance account.

According to《中華人民共和國就業促進法》(Employment Promotion Law of the People's Republic of China*) which came into effect on 1 January 2008, when an employer recruits employees, it shall provide workers with equal employment opportunities and fair employment conditions and shall not have any employment discrimination. The employer shall ensure that women enjoy labor rights equal to those of men and shall not refuse to recruit women or increase the thresholds for recruitment of women under the excuse of gender. When an employer recruits female employees, it shall not stipulate in the employment contract any

content, which restricts female employees from getting married or bearing child and shall give appropriate consideration to workers of ethnic minorities. When an employer recruits employees, it shall not discriminate against persons with disabilities and shall not refuse to recruit any person under the excuse that he is a carrier of an infectious disease. It is prohibited to set discriminatory restrictions against rural workers seeking employment in the cities.

According to《工傷保險條例》(Regulation on Work-Related Injury Insurances*) which came into effect on 1 January 2004, the employer shall pay work-related injury insurance premiums on time for its employees, and no individual employee shall pay the work-related injury insurance premiums.

According to《企業職工生育保險試行辦法》(Trial Measures for the Childbirth Insurance for Enterprise Employees*) which came into effect on 1 January 1994, the employer shall pay the childbirth insurance premiums for its employees, and no individual employee shall pay any childbirth insurance premium.

According to《社會保險費徵繳暫行條例》(Interim Regulation on the Collection and Payment of Social Insurance Premiums*) which came into effect on 22 January 1999 and《社會保險登記管理暫行辦法》(Interim Measures for Registration and Administration of Social Insurance*) which came into effect on 19 March 1999, any premium paying entity within the PRC shall carry out social insurance registration at the local social insurance agency, make contributions to basic pension fund, and pay basic medical insurance premiums and unemployment insurance premiums for its employees.

According to《住房公積金管理條例》(Regulation on the Administration of Housing Pension Funds*) which came into effect on 3 April 1999 and amended on 24 March 2002, an entity within PRC shall go to the housing fund management centre to make deposit registration of housing funds, and shall go to the entrusted bank to open the housing fund account for its employees. The deposit proportion of an employee's or an entity's housing fund shall not be lower than 5% of the employee's monthly average wage of the last year;

According to《中華人民共和國安全生產法》(Production Safety Law of the People's Republic of China*) which came into effect on 1 November 2002, entities that engage in the production and business operation shall be equipped with the facilities for safe production as provided in the present law and other relevant laws, administrative regulations, national standards and industrial standards. Any entity that is not equipped with the facilities for safe production may not engage in production and business operation activities. Entities that engage in the production and business operation shall offer education and training programmes to the employees thereof regarding production safety. The designing, manufacturing, installation, using, checking, maintenance, reforming and claiming as useless of safety equipments shall be in conformity with the national standards or industrial standards. In addition, entities that engage in the production and business operation shall provide labour protection articles that meet the national standards or industrial standards to the employees thereof, supervise and educate them to wear or use these articles according to the prescribed rules.

OFAC regulations

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.

For the purpose of the foregoing paragraph, the term "US Economic Sanctions Laws" includes all US sanctions administered by OFAC, including but not limited to US regulations codified in Chapter V of title 31, US Code of Federal Regulations, all US Executive orders, proclamations, and regulations issued under the authority of the Trading with the Enemy Act, the International Emergency Economic Powers Act, the International Security and Development Cooperation Act, the Antiterrorism and Effective Death Penalty Act, the Cuban Liberty and Democratic Solidarity (Libertad) Act and the United Nations Participation Act, the afore mentioned statutes themselves and all orders, licenses or rules issued under the authority of any of the foregoing.

Anti-dumping and countervailing measures

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

The following set forth analysis and discussion as to the relevant US and EU anti-dumping and countervailing measures.

Anti-dumping and countervailing duties in the United States

Anti-dumping and countervailing duties investigations in the United States are carried out by the United States Department of Commerce ("**DOC**") and by the United States International Trade Commission ("**ITC**"). Once the DOC and the ITC has determined through their investigations that dumping has occurred and it has resulted in material injury or threatens to result in material injury to the United States industry in question or that any subsidy is bestowed, directly, or indirectly, upon the manufacture, production or export of any merchandise and, through the effects of the subsidy, the subsidised imports are causing injury, anti-dumping or countervailing duties may be imposed at a rate typically equal to the calculated rate of dumping or to offset such subsidy bestowed, as applicable.

As at the Latest Practicable Date, the United States had several anti-dumping ("**AD**") and countervailing duty ("**CVD**") measures relating to certain steel pipes and pipe fittings. The product description as set forth in each order or investigation, but not the Harmonized Tariff Schedule ("**HTS**") of the United States classification number, is the controlling factor of whether a product imported into the United States falls within the scope of such order or investigation.

Set out below are the AD and CVD cases as to steel pipes in the United States in effect or under investigation during 1 January 2006 to 31 December 2009. The HTS subheadings referred to below are provided for convenience and customs purposes. The descriptions of the scope of each of the proceedings below are dispositive:

Case name and number: **Carbon Steel Butt-weld Pipe Fittings,** A-570-8814

Petition date: 1991

AD or CVD or both: AD only

Case status: AD Duty Order imposed: 41.77% – 182.90% AD rates *(Note)*

Description of targeted merchandise(*):

> The products covered by this investigation are carbon steel butt-weld pipe fittings, having an inside diameter of less than 360 millimetres (14 inches), imported in either finished or unfinished form. These formed or forged pipe fittings are used to join sections of piping systems where conditions require permanent, welded connections, as distinguished from fittings based on other fastening methods (e.g., threaded, grooved, or bolted fittings).
>
> Carbon steel butt-weld pipe fittings are currently classified under subheading 7307.93.30 of the HTS.

Note: The AD rates provided for the three US cases against pipe fittings are from the original AD order. It is possible that certain individual Chinese exporters or petitioners in the US might have requested a subsequent "administrative review" to revise the applicable AD rates. Because the outcome of such administrative reviews only apply to the named Chinese exporters subject to the review, such changes are not relevant to this analysis and therefore not reflected in this prospectus.

Case name and number: **Non-malleable Cast Iron Pipe Fittings,** A-570-875

Petition date: February 2002

AD or CVD or both: AD only

Case status: AD duty order imposed: 7.08% – 76.50% AD rates

Description of targeted merchandise(*):

The products covered by this order are finished and unfinished nonmalleable cast iron pipe fittings with an inside diameter ranging from ¼ inch to 6 inches, whether threaded or unthreaded, regardless of industry or proprietary specifications. The subject fittings include elbows, ells, tees, crosses, and reducers as well as flanged fittings. These pipe fittings are also known as "cast iron pipe fittings" or "gray iron pipe fittings." These cast iron pipe fittings are normally produced to American Society for Testing and Materials (**ASTM**) A-126 and American Society of Mechanical Engineers (**ASME**) B.16.4 specifications and are threaded to ASME B1.20.1 specifications. Most building codes require that these products are Underwriters Laboratories (**UL**) certified. The scope does not include cast iron soil pipe fittings or grooved fittings or grooved couplings.

Fittings that are made out of ductile iron that have the same physical characteristics as the gray or cast iron fittings subject to the scope above or which have the same physical characteristics and are produced to ASME B.16.3, ASME B.16.4, or ASTM A-395 specifications, threaded to ASME B1.20.1 specifications and UL certified, regardless of metallurgical differences between gray and ductile iron, are also included in the scope of this petition. These ductile fittings do not include grooved fittings or grooved couplings. Ductile cast iron fittings with mechanical joint ends (**MJ**), or push on ends (**PO**), or flanged ends and produced to the American Water Works Association (**AWWA**) specification AWWA C110 or AWWA C153 are not included.

Imports of covered merchandise are classifiable in the HTS under item numbers 7307.11.00.30, 7307.11.00.60, 7307.19.30.60 and 7307.19.30.85.

Case name and number: **Malleable Cast Iron Pipe Fittings,** A-570-881

Petition date: October 2002

AD or CVD or both: AD only

Case status: AD duty order imposed: 7.35% – 111.36% AD rates

Description of targeted merchandise(*):

For purposes of this order, the products covered are certain malleable iron pipe fittings, cast, other than grooved fittings, from the People's Republic of China. The merchandise is classified under item numbers 7307.19.90.30, 7307.19.90.60 and 7307.19.90.80 of the HTS. Excluded from the scope of this order are metal compression couplings, which are imported under HTS number 7307.19.90.80. A metal compression coupling consists of a coupling body, two gaskets, and two compression nuts. These products range in diameter from 1/2 inch to 2 inches and are carried only in galvanised finish.

Case name and number:	**Circular Welded Carbon Quality Steel Pipe,** A-570-910 and C-570-911
Petition date:	June 2007
AD or CVD or both:	Both
Case status:	AD duty order imposed: 69.20% – 85.55% AD rates CVD order imposed: 29.57% – 615.92% CVD rates

Description of targeted merchandise(*):

The scope of this investigation covers certain welded carbon quality steel pipes and tubes, of circular cross-section, and with an outside diameter of 0.372 inches (9.45 mm) or more, but not more than 16 inches (406.4 mm), whether or not stenciled, regardless of wall thickness, surface finish (e.g., black, galvanised, or painted), end finish (e.g., plain end, beveled end, grooved, threaded, or threaded and coupled), or industry specification (e.g., ASTM, proprietary, or other), generally known as standard pipe and structural pipe (they may also be referred to as circular, structural, or mechanical tubing).

Specifically, the term "carbon quality" includes products in which (a) iron predominates, by weight, over each of the other contained elements; (b) the carbon content is 2 percent or less, by weight; and (c) none of the elements listed below exceeds the quantity, by weight, as indicated: (i) 1.80 percent of manganese; (ii) 2.25 percent of silicon; (iii) 1.00 percent of copper; (iv) 0.50 percent of aluminium; (v) 1.25 percent of chromium; (vi) 0.30 percent of cobalt; (vii) 0.40 percent of lead; (viii) 1.25 percent of nickel; (ix) 0.30 percent of tungsten; (x) 0.15 percent of molybdenum; (xi) 0.10 percent of niobium; (xii) 0.41 percent of titanium; (xiii) 0.15 percent of vanadium; or (xiv) 0.15 percent of zirconium.

Standard pipe is made primarily to ASTM specifications, but can be made to other specifications. Standard pipe is made primarily to ASTM specifications A-53, A-135, and A-795. Structural pipe is made primarily to ASTM specifications A-252 and A-500. Standard and structural pipe may also be produced to proprietary specifications rather than to industry specifications. This is often the case, for example, with fence tubing. Pipe multiple-stenciled to a standard and/or structural specification and to any other specification, such as the American Petroleum Institute API-5L specification, is also covered by the scope of this investigation when it meets the physical description set forth above and also has one or more of the following characteristics: is 32 feet in length or less; is less than 2.0 inches (50 mm) in outside diameter; has a galvanised and/or painted surface finish; or has a threaded and/or coupled end finish. (The term "painted" does not include coatings to inhibit rust in transit, such as varnish, but includes coatings such as polyester.) The scope of this investigation does not include: (a) pipe suitable for use in boilers, superheaters, heat exchangers, condensers, refining furnaces and feedwater heaters, whether or not cold drawn; (b) mechanical tubing, whether or not cold-drawn; (c) finished electrical conduit; (d) finished scaffolding; (e) tube and pipe hollows for redrawing; (f) oil country tubular goods produced to API specifications; and (g) line pipe produced to only API specifications.

The pipe products that are the subject of this investigation are currently classifiable in HTS statistical reporting numbers 7306.30.10.00, 7306.30.50.25, 7306.30.50.32, 7306.30.50.40, 7306.30.50.55, 7306.30.50.85, 7306.30.50.90, 7306.50.10.00, 7306.50.50.50, 7306.50.50.70, 7306.19.10.10, 7306.19.10.50, 7306.19.51.10 and 7306.19.51.50.

Case name and number: **Light-Walled Rectangular Pipe and Tube,** A-570-914 and C-570-915

Petition date: July 2007

AD or CVD or both: Both

Case status: AD duty order imposed: 249.12% – 264.64% AD rates
CVD order imposed: 2.17% – 200.58% CVD rates

Description of targeted merchandise(*):

The merchandise that is the subject of this investigation is certain welded carbon-quality light-walled steel pipe and tube, of rectangular (including square) cross section, having a wall thickness of less than 4 mm.

The term carbon-quality steel includes both carbon steel and alloy steel which contains only small amounts of alloying elements. Specifically, the term carbon-quality includes products in which none of the elements listed below exceeds the quantity by weight respectively indicated: 1.80 percent of manganese, or 2.25 percent of silicon, or 1.00 percent of copper, or 0.50 percent of aluminium, or 1.25 percent of chromium, or 0.30 percent of cobalt, or 0.40 percent of lead, or 1.25 percent of nickel, or 0.30 percent of tungsten, or 0.10 percent of molybdenum, or 0.10 percent of niobium, or 0.15 percent vanadium, or 0.15 percent of zirconium. The description of carbon-quality is intended to identify carbon-quality products within the scope.

The welded carbon-quality rectangular pipe and tube subject to this investigation is currently classified under the HTS subheadings 7306.61.50.00 and 7306.61.70.60.

Case name and number: **Circular Welded Carbon Quality Steel Line Pipe,** A-570-935 and C-570-936

Petition date: April 2008

AD or CVD or both: Both

Case status: AD duty order imposed: 73.87% – 101.10% AD rates
CVD order imposed: 31.29% – 40.05% CVD rates

Description of targeted merchandise(*):

The merchandise covered by this investigation is circular welded carbon quality steel pipe of a kind used for oil and gas pipelines (welded line pipe), not more than 406.4 mm (16 inches) in outside diameter, regardless of wall thickness, length, surface finish, end finish or stenciling. The term "carbon quality steel" includes both carbon steel and carbon steel mixed with small amounts of alloying elements that may exceed the individual weight limits for non alloy steels imposed in the HTS.

Specifically, the term "carbon quality" includes products in which (1) iron predominates by weight over each of the other contained elements, (2) the carbon content is 2.00 percent or less by weight and (3) none of the elements listed below exceeds the quantity by weight respectively indicated: (i) 2.00 percent of manganese, (ii) 2.25 percent of silicon, (iii) 1.00 percent of copper, (iv) 0.50 percent of aluminium, (v) 1.25 percent of chromium, (vi) 0.30 percent of cobalt, (vii) 0.40 percent of lead, (viii) 1.25 percent of nickel, (ix) 0.30 percent of tungsten, (x) 0.012 percent of boron, (xi) 0.50 percent of molybdenum, (xii) 0.15 percent of niobium, (xiii) 0.41 percent of titanium, (xiv) 0.15 percent of vanadium, or (xv) 0.15 percent of zirconium.

Welded line pipe is normally produced to specifications published by the API (or comparable foreign specifications) including API A-25, 5LA, 5LB, and X grades from 42 and above, and/or any other proprietary grades or non-graded material. Nevertheless, all pipe meeting the physical description set forth above that is of a kind used in oil and gas pipelines, including all multiple-stenciled pipe with an API welded line pipe stencil is covered by the scope of this investigation.

Excluded from this scope are pipes of a kind used for oil and gas pipelines that are multiple-stenciled to a standard and/or structural specification and have one or more of the following characteristics: is 32 feet in length or less; is less than 2.0 inches (50 mm) in outside diameter; has a galvanised and/or painted surface finish; or has a threaded and/or coupled end finish. (The term "painted" does not include coatings to inhibit rust in transit, such as varnish, but includes coatings such as polyester.)

The welded line pipe products that are the subject of these investigations are currently classifiable in the HTS under subheadings 7306.19.10.10, 7306.19.10.50, 7306.19.51.10 and 7306.19.51.50.

Case name and number:	**Circular Welded Austenitic Stainless Pressure Pipe,** A-570-930 and C-570-931
Petition date:	January 2008
AD or CVD or both:	Both
Case status:	AD duty order imposed: 10.53% – 55.21% AD rates CVD order imposed: 1.10% – 299.16% CVD rates

Description of targeted merchandise(*):

The merchandise covered by this investigation is circular welded austenitic stainless pressure pipe not greater than 14 inches in outside diameter. This merchandise includes, but is not limited to, ASTM A-312 or ASTM A-778 specifications, or comparable domestic or foreign specifications. ASTM A-358 products are only included when they are produced to meet ASTM A-312 or ASTM A-778 specifications, or comparable domestic or foreign specifications.

Excluded from the scope are: (1) welded stainless mechanical tubing, meeting ASTM A-554 or comparable domestic or foreign specifications; (2) boiler, heat exchanger, superheater, refining furnace, feedwater heater, and condenser tubing, meeting ASTM A-249, ASTM A-688 or comparable domestic or foreign specifications; and (3) specialised tubing, meeting ASTM A-269, ASTM A-270 or comparable domestic or foreign specifications.

The subject imports are normally classified in subheadings 7306.40.5005; 7306.40.5040, 7306.40.5062, 7306.40.5064 and 7306.40.5085 of the HTS. They may also enter under HTSUS subheadings 7306.40.1010; 7306.40.1015; 7306.40.5042, 7306.40.5044, 7306.40.5080 and 7306.40.5090.

Case name and number: **Oil Country Tubular Goods ("OCTG"),** A-570-943 and C-570-944

Petition date: April 2009

AD or CVD or both: Both

Case status: Preliminary AD duties imposed, 0.00% – 99.14%; final AD rates to be issued by Commerce Department in April 2010; and final injury determination for AD case to be rendered by ITC in May 2010

Final CVD order imposed January 20, 2010: 10.49% – 15.78% CVD rates for investigated companies, and 13.41% for all others

Description of targeted merchandise(*):

The scope of this investigation consists of OCTG, which are hollow steel products of circular cross-section, including oil well casing and tubing, of iron (other than cast iron) or steel (both carbon and alloy), whether seamless or welded, regardless of end finish (e.g., whether or not plain end, threaded, or threaded and coupled) whether or not conforming to API or non-API specifications, whether finished (including limited service OCTG products) or unfinished (including green tubes and limited service OCTG products), whether or not thread protectors are attached. The scope of the investigation also covers OCTG coupling stock.

Excluded from the scope of the investigation are: casing or tubing containing 10.5 percent or more by weight of chromium; drill pipe; unattached couplings; and unattached thread protectors.

The merchandise subject to this investigation is currently classified in the HTS under item numbers: 7304.29.10.10, 7304.29.10.20, 7304.29.10.30, 7304.29.10.40, 7304.29.10.50, 7304.29.10.60, 7304.29.10.80, 7304.29.20.10, 7304.29.20.20, 7304.29.20.30, 7304.29.20.40, 7304.29.20.50, 7304.29.20.60, 7304.29.20.80, 7304.29.31.10, 7304.29.31.20, 7304.29.31.30, 7304.29.31.40, 7304.29.31.50, 7304.29.31.60, 7304.29.31.80, 7304.29.41.10, 7304.29.41.20, 7304.29.41.30, 7304.29.41.40, 7304.29.41.50, 7304.29.41.60, 7304.29.41.80,7304.29.50.15, 7304.29.50.30, 7304.29.50.45, 7304.29.50.60, 7304.29.50.75, 7304.29.61.15, 7304.29.61.30, 7304.29.61.45, 7304.29.61.60, 7304.29.61.75, 7305.20.20.00, 7305.20.40.00, 7305.20.60.00, 7305.20.80.00, 7306.29.10.30, 7306.29.10.90, 7306.29.20.00, 7306.29.31.00, 7306.29.41.00, 7306.29.60.10, 7306.29.60.50, 7306.29.81.10 and 7306.29.81.50. The OCTG coupling stock covered by the investigation may also enter under the following HTS item numbers: 7304.39.00.24, 7304.39.00.28, 7304.39.00.32, 7304.39.00.36, 7304.39.00.40, 7304.39.00.44, 7304.39.00.48, 7304.39.00.52, 7304.39.00.56, 7304.39.00.62, 7304.39.00.68, 7304.39.00.72, 7304.39.00.76, 7304.39.00.80, 7304.59.60.00, 7304.59.80.15, 7304.59.80.20, 7304.59.80.25, 7304.59.80.30, 7304.59.80.35, 7304.59.80.40, 7304.59.80.45, 7304.59.80.50, 7304.59.80.55, 7304.59.80.60, 7304.59.80.65, 7304.59.80.70 and 7304.59.80.80.

Case name and number: **Certain Seamless Carbon and Alloy Steel, Standard, Line and Pressure Pipe,** A-570-956 and C-570-957

Petition date: September 2009

AD or CVD or both Both

Case status: Case initiated October 2009, investigations still ongoing

Description of targeted merchandise(*):

The merchandise covered by this investigation is certain seamless carbon and alloy steel (other than stainless steel) pipes and redraw hollows, less than or equal to 16 inches (406.4 mm) in outside diameter, regardless of wall-thickness, manufacturing process (e.g., hot-finished or cold-drawn), end finish (e.g., plain end, beveled end, upset end, threaded, or threaded and coupled) or surface finish (e.g., bare, lacquered or coated).

Redraw hollows are any unfinished carbon or alloy steel (other than stainless steel) pipe or "hollow profiles" suitable for cold finishing operations, such as cold drawing, to meet ASTM or API specifications referenced below, or comparable specifications. Specifically included within the scope are seamless carbon and alloy steel (other than stainless steel) standard, line, and pressure pipes produced to the ASTM A-53, ASTM A-106, ASTM A-333, ASTM A-334, ASTM A-335, ASTM A-589, ASTM A-795, ASTM A-1024 and the API 5L specifications, or comparable specifications, and meeting the physical parameters described above, regardless of application, with the exception of the exclusion discussed below.

Specifically excluded from the scope of the investigation are unattached couplings.

The merchandise covered by the investigation is currently classified in the HTS under item numbers: 7304.19.1020, 7304.19.1030, 7304.19.1045, 7304.19.1060, 7304.19.5020, 7304.19.5050, 7304.31.6050, 7304.39.0016, 7304.39.0020, 7304.39.0024, 7304.39.0028, 7304.39.0032, 7304.39.0036, 7304.39.0040, 7304.39.0044, 7304.39.0048, 7304.39.0052, 7304.39.0056, 7304.39.0062, 7304.39.0068, 7304.39.0072, 7304.51.5005, 7304.51.5060, 7304.59.6000, 7304.59.8010, 7304.59.8015, 7304.59.8020, 7304.59.8025, 7304.59.8030, 7304.59.8035, 7304.59.8040, 7304.59.8045, 7304.59.8050, 7304.59.8055, 7304.59.8060, 7304.59.8065 and 7304.59.8070.

Case name and number: **Seamless Refined Copper Pipe and Tube,** A-570-964

Petition date: September 2009

AD or CVD or both: AD Only

Case status: Case initiated October 2009, investigations still ongoing

Description of targeted merchandise(*):

For the purpose of these investigations, the products covered are all seamless circular refined copper pipes and tubes, including redraw hollows, greater than or equal to 6 inches (152.4 mm) in length and measuring less than 12.130 inches (308.102 mm) (actual) in outside diameter, regardless of wall thickness, bore (e.g., smooth, enhanced with inner grooves or ridges), manufacturing process (e.g., hot finished, cold-drawn, annealed), outer surface (e.g., plain or enhanced with grooves, ridges, fins, or gills), end finish (e.g., plain end, swaged end, flared end, expanded end, crimped end, threaded), coating (e.g., plastic, paint), insulation, attachments (e.g., plain, capped, plugged, with compression or other fitting) or physical configuration (e.g., straight, coiled, bent, wound on spools).

The scope of these investigations covers, but is not limited to, seamless refined copper pipe and tube produced or comparable to the ASTM, ASTM-B42, ASTM-B68, ASTM-B75, ASTM-B88, ASTM-B88M, ASTM-B188, ASTM-B251, ASTM-B251M, ASTM-B280, ASTM-B302, ASTM-B306, ASTM-359, ASTM-B743, ASTM-B819, and ASTM-B903 specifications and meeting the physical parameters described therein.

Also included within the scope of these investigations are all sets of covered products, including "line sets" of seamless refined copper tubes (with or without fittings or insulation) suitable for connecting an outdoor air conditioner or heat pump to an indoor evaporator unit. The phrase "all sets of covered products" denotes any combination of items put up for sale that is comprised of merchandise subject to the scope. 'Refined copper" is defined as: (1) metal containing at least 99.85 percent by weight of copper; or (2) metal containing at least 97.5 percent by weight of copper, provided that the content by weight of any other element does not exceed the following limits:

Element	**Limiting content percent by weight**
Ag – Silver	0.25
As – Arsenic	0.5
Cd – Cadmium	1.3
Cr – Chromium	1.4
Mg – Magnesium	0.8
Pb – Lead	1.5
S – Sulfur	0.7
Sn – Tin	0.8
Te – Tellurium	0.8
Zn – Zinc	1.0
Zr – Zirconium	0.3
Other elements (each)	0.3

Excluded from the scope of these investigations are all seamless circular hollows of refined copper less than 12 inches in length whose outside diameter (actual) exceeds its length. The products subject to these investigations are currently classifiable under subheadings 7411.10.1030 and 7411.10.1090 of the HTS. Products subject to these investigations may also enter under HTSUS subheadings 7407.10.1500, 7419.99.5050, 8415.90.8065 and 8415.90.8085.

Case name and number: **Drill Pipe**

Petition date: December 2009

AD or CVD or both Both

Case status: Case initiation expected 20 January 2010 – investigations still ongoing

Description of targeted merchandise(*):

Drill pipe, including heavy weight drill pipe and drill collars, of iron (other than cast iron) or steel, whether or not conforming to API or non-API specifications, whether finished (with or without tool joints attached) or unfinished (including green tubes) and without regard to the specific chemistry of the steel (i.e., carbon, alloy or stainless steel).

The scope does not include tool joints not attached to drill pipe.

The subject drill pipe products are normally classified in the following HTS categories: 7304.22.0030, 7304.22.0045, 7304.22.0060, 7304.23.3000, 7304.23.6045 and 7304.23.6060. Subject drill pipe may also enter under HTS 8431.43.8040 and 8431.43.8060.

**: The "description of targeted merchandise" provided in this section was taken verbatim from the applicable US government documents released during the particular trade case at issue.*

Impact of US trade cases and investigations on our business

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

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

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

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

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

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

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

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

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

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

Anti-dumping duties in the EU

EU anti-dumping and countervailing cases

According to **Council Regulation 1256/2008** adopted by the EU with effect from 20 December 2008, imports of welded tubes and pipes, iron or non-alloy steel, circular cross-section and with an external diameter not exceeding 168.3 mm (excluding however line pipe of a kind used for oil or gas pipelines, casing and tubing of a kind used in drilling for oil or gas, precision tubes and tubes and pipes with attached fittings suitable for conducting gases or liquids for use in civil aircraft), which fall within combined nomenclature codes (**CN Codes**) ex73063041, ex73063049, ex73063072 and ex73063077 (integrated tariff codes (**TARIC Codes**) 7306304120, 7306304920, 7306307280 and 7306307780) and originate in, inter alia, the PRC, are subject to anti-dumping measures. The CN Codes apply to products which are subject to anti-dumping duties and should not apply to products which are exempt from anti-dumping duties, such as line pipe of a kind used for oil or gas pipelines. The rate of duty is approximately 90.6% of the net free-at-EU-frontier price, before duty, for products produced by all companies in the PRC.

According to **Council Regulation 926/2009** issued by the EU with effect from 7 October 2009, imports of seamless pipes and tubes, of iron or steel, of circular cross section, of an external diameter not exceeding 406.4 mm with a carbon equivalent value not exceeding 0.86 mm according to the International Institute of Welding formula and chemical analysis, currently falling within CN Codes ex73041910, ex73041930, ex73042300, ex73042910, ex73042930, ex73043120, ex73043180, ex73043910, ex73043952, ex73043958, ex73043992, ex73043993, ex73045181, ex73045189, ex73045910, ex73045992 and ex73045993 (TARIC Codes 7304191020, 7304193020, 7304230020, 7304291020, 7304293020, 7304312020, 7304318030, 7304391010, 7304395220, 7304395830, 7304399230, 7304399320, 7304518120, 7304518930, 7304591010, 7304599230 and 7304599320) and originating in the PRC are subject to anti-dumping duties.

The rate of duty applicable to the net free-at-EU-frontier price, before duty, is approximately 17.7% for products produced by a steel pipe company in Qingzhou City, the PRC; approximately 27.2% for other cooperating companies listed in the annex to Council Regulation 926/2009 issued by the EU (which annex does not include any members of our Group), and approximately 39.2% for all companies in the PRC. During the investigation which culminated in Council Regulation 926/2009 issued by the EU, a provisional anti-dumping duty was imposed with effect from 9 April 2009 on the same types of products. The rate of duty applicable to the net free-at-EU-frontier price, before duty, is approximately 15.1% for products produced by the steel pipe company in Qingzhou City, the PRC; approximately 15.6% for products produced by another steel company in Huangshi City, the PRC; approximately 22.3% for companies listed in the annex to Council Regulation 926/2009 (which annex does not include any members of our Group); and approximately 24.2% for all other companies in the PRC.

In addition, a definitive anti-dumping duty was imposed by **Council Regulation 803/2009** issued by EU with effect from 5 September 2009 on imports of tube and pipe fittings (other than cast fittings, flanges and threaded fittings), iron or steel (not including stainless steel), with maximum external diameter not exceeding 609.6mm, of a kind used for butt-welding or other purposes, originating in, inter alia, the PRC and currently falling within CN Codes ex73079311, ex73079319, ex73079930 and ex73079990 (TARIC Codes 7307931191, 7307931193, 7307931194, 7307931195, 7307931199, 7307931991, 7307931993, 7307931994, 7307931995, 7307931999, 7307993092, 7307993093, 7307993094, 7307993095, 7307993098, 7307999092, 7307999093, 7307999094, 7307999095 and 7307999098). The rate of duty applicable to the net free-at-EU-frontier price, before duty, is approximately 58.6% for products produced by all companies in the PRC.

Impact of EU Trade cases on our business

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

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

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

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

Anti-dumping determination and "non-market economy"

Whether there is "dumping" will typically depends on whether the product sold in the importing market, such as in the United States, is sold at less than normal value as determined by comparing prices of such imported product and such products' domestic market prices. In general, products are considered to have been sold at less than normal value when the price in the importing country is less than the home-market price, after certain adjustments. However, under the anti-dumping rules of the WTO, 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. The "non-market economy" approach assumes that "non-market economy" countries will set prices through central-planning authorities, which precludes the use of the "normal value" standards otherwise applicable to market-oriented economies where prices are set by profit considerations and competitive forces. As a result, in "non-market economy" dumping cases, the normal value of a particular good will often be based on a market economy benchmark. In the United States, because companies in "non-market economy" countries are presupposed to be controlled by the government, typically a single country-wide rate will be applied to all exporters of a particular good, unless they can establish their eligibility for the so-called "separate rate" after demonstrating the absence of de jure or de facto government control over their export pricing.