

CORPORATE HISTORY, DEVELOPMENT AND REORGANISATION

OVERVIEW

Our Company, through CKSPG, owns the equity interests in our operating subsidiaries, namely, PCKSP, Hualong Anti-Corrosion and GPR Companies. Our Company also, through Lessonstart, holds the entire issued share capital of CKSPG, and owns Lucknow (an investment holding company) and Crown Central (a wholly-owned subsidiary engaging in steel pipe trading business in Hong Kong).

Prior to the Listing, our Group comprising our Company and all our subsidiaries underwent the Reorganisation, the major steps of which are summarised below:

- (a) On 20 December 2007, CKSPG (a wholly-owned subsidiary of Lessonstart) acquired (i) the entire equity interest in the registered capital of PCKSP, and (ii) 25% equity interest in Hualong Anti-Corrosion both from Lessonstart each at a nominal consideration of HK\$1, the transfers of which were approved on 28 December 2007 and 25 December 2007 respectively. The filing of such changes regarding PCKSP and Hualong Anti-Corrosion with the relevant administration of industry and commerce were both effected on 29 December 2007. Since then, PCKSP has become a wholly-owned subsidiary of CKSPG and Hualong Anti-Corrosion became owned as to 25% by CKSPG.
- (b) On 20 December 2007, CKSPG acquired from JCH Enterprise (which was then and is wholly and beneficially owned by Mr. Chen) the entire equity interest in the registered capital of each of the GPR Companies, in each case at a nominal consideration of HK\$1. In December 2006, a sum of approximately HK\$12.5 million was advanced by or on behalf of Mr. Chen to JCH Enterprise for the purpose of paying up part of the registered capital of GPR Companies, which constituted shareholder's loan from Mr. Chen to JCH Enterprise. At the material time, CKSPG (wholly and indirectly owned by Mr. Chen) has already been established, but has yet to acquire the GPR Companies from JCH Enterprise. In consideration for JCH Enterprise agreeing to transfer the GPR Companies to CKSPG at a nominal consideration of HK\$1 for each GPR Companies, Mr. Chen therefore waived the aforesaid shareholder's loan owned by JCH Enterprise to him. Such transfer was approved on 25 December 2007 and the filing of such changes with the relevant administration of industry and commerce were all effected on 29 December 2007. Since then, GPR Companies became wholly owned by CKSPG.
- (c) On 20 February 2008, PCKSP and Lessonstart transferred the entire equity interest in the registered capital of Chu Kong Zhangjiagang (which then had not yet been paid up) to JCH Enterprise (which was then and is wholly and beneficially owned by Mr. Chen) at nil consideration. Such transfer was approved on 26 February 2008 while filing of such change with the relevant administration of industry and commerce was effected on 3 March 2008. Chu Kong Zhangjiagang was subsequently de-registered in September 2008 and therefore was excluded from our Group prior to the Listing. Details of Chu Kong Zhangjiagang and the reason of its exclusion from our Group are disclosed in the section headed "Relationship with Controlling Shareholders" in this prospectus.
- (d) On 8 July 2009, PCKSP (Lianyungang) was established in the PRC to engage in the manufacture and sale of steel pipes. At the time of its establishment, PCKSP (Lianyungang) had a registered capital of RMB40 million, which was subsequently increased to RMB200 million on 16 October 2009 and was further increased to RMB700 million on 4 November 2009. PCKSP (Lianyungang) has been wholly owned by PCKSP since its establishment.
- (e) By an agreement dated 21 August 2009 entered into between GPR Steel Pipe as seller and an Independent Third Party as purchaser, the JCOE production line in Zhangjiagang, Jiangsu Province, the PRC then operated by GPR Steel Pipe (Zhangjiagang branch) was sold to the Independent Third Party at a consideration of RMB119,150,000. The said production line was delivered to the Independent Third Party on 31 August 2009. Since then, GPR Steel Pipe (Zhangjiagang branch) has not carried on any production and was in the process of deregistration as at the Latest Practicable Date.

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- (f) On 23 January 2010, our Company acquired the entire issued share capital of Lessonstart from Bournam by way of share swap and has since become the ultimate holding company of our Group.

OUR CORPORATE HISTORY

Save for the equity interest transactions in the preceding paragraph, we set out below the corporate history and shareholding changes of the members of our Group:

PCKSP

To capitalise the market potential in the PRC for quality longitudinal ERW steel pipes, our principal operating subsidiary, PCKSP, was established in June 1993, as a sino-foreign equity joint venture, to engage in the manufacture of longitudinal ERW steel pipes. At the time of its establishment, PCKSP, with a registered capital of HK\$120 million, was owned as to 70% by 廣州市珠江機床廠 (Guangzhou City Pearl River Machine Tool Factory*) (which was then wholly owned by Mr. Chan Yu-Hoi, cousin of Mr. Chen), and as to 30% by Ever Perfect International Limited (which was then wholly and beneficially owned by Mr. Chen). The registered capital of HK\$120 million was fully paid up by 廣州市珠江機床廠 (Guangzhou City Pearl River Machine Tool Factory*) of up to HK\$84,000,000 (comprising cash contribution of HK\$78,886,204.41 and the assignment of the land use rights of a parcel of land of 122,250 sq.m. with a then carrying value of HK\$5,113,795.59) and by Ever Perfect International Limited of up to HK\$36,000,000 (comprising cash contribution of HK\$4,389,993.59 and the transfer of vehicles and equipments with the then total carrying value of HK\$31,610,006.41), in proportion to their percentage of equity holding in PCKSP respectively.

On 18 July 1998, 廣州市珠江機床廠 (Guangzhou City Pearl River Machine Tool Factory*) and Ever Perfect International Limited entered into an equity transfer agreement with Lessonstart to transfer all of their equity interests in the registered capital of PCKSP to Lessonstart at a consideration equivalent to their respective investment amount, that is, in a sum of HK\$120 million, which was close to the net asset value of PCKSP of approximately RMB137.8 million as at 31 July 2008. Following the said transfer, PCKSP became a wholly foreign-owned enterprise.

In September 1999, with a view to enlarging the scale and scope of operation of PCKSP to capture the business opportunity in the market of LSAW steel pipes, PCKSP increased its registered capital by HK\$30 million to HK\$150 million. According to the capital verification report issued by 廣州金五羊會計師事務所有限公司 (Guangdong Golden Five Rams Certified Public Accountants Limited Company*), such HK\$30 million was fully paid into PCKSP by Lessonstart in form of contribution of machinery in September 2000.

In September 2001, PCKSP further increased its registered capital by HK\$50 million to HK\$200 million. The additional capital contribution of HK\$50 million was used for the acquisition of equipment and machinery. According to the capital verification report issued by 廣東華納安會計師事務所有限公司 (Guangdong Hua Na An Certified Public Accountants Limited Company*), such amount was fully paid into PCKSP by Lessonstart in form of asset contribution in June 2004.

On 25 April 2007, Lessonstart entered into an equity transfer agreement with GZFLD (which was then and is still wholly and beneficially owned by Mr. Chen) pursuant to which Lessonstart transferred its 16% equity interest in the registered capital of PCKSP to GZFLD at an aggregate consideration of RMB44,480,000 with reference to the net asset value of PCKSP as at 31 December 2006. The above transfer was approved by 廣州市對外貿易經濟合作局 (Foreign Trade and Economic Cooperation Bureau of Guangzhou City*). Upon filing of such change with relevant administration of industry and commerce which was effected on 11 June 2007, the legal status of PCKSP changed from a wholly foreign-owned enterprise to a sino-foreign equity joint venture. The reason for such change of legal status of PCKSP was to comply with the relevant requirement of the company law of the PRC on the number of shareholders as PCKSP then intended to apply for a listing on a stock exchange in the PRC.

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However, after due consideration, the members of the then board of directors of PCKSP decided not to proceed with any application for listing in any stock exchange in the PRC as they considered that it would be more beneficial for PCKSP to seek listing in Hong Kong. With a view to streamlining the corporate structure to prepare for the Listing, the management of our Group subsequently determined that PCKSP should be converted back to a wholly foreign-owned enterprise. As a result, GZFLD (which was then and is still wholly and beneficially owned by Mr. Chen) and Lessonstart entered into an equity transfer agreement for the transfer of the said 16% equity interest in the registered capital of PCKSP owned by GZFLD to Lessonstart at the original consideration, i.e. RMB44,480,000. The transfer was approved by 廣州市對外貿易經濟合作局 (Foreign Trade and Economic Cooperation Bureau of Guangzhou City*). Upon filing of such change with relevant administration of industry and commerce was effected on 8 November 2007, the nature of PCKSP changed back to a wholly foreign-owned enterprise.

As part of the Reorganisation, Lessonstart and CKSPG entered into an equity transfer agreement dated 20 December 2007 pursuant to which Lessonstart transferred all its equity interest in the registered capital of PCKSP to CKSPG at a nominal consideration of HK\$1. The transfer was approved by 廣州市對外貿易經濟合作局 (Foreign Trade and Economic Cooperation Bureau of Guangzhou City*) and the filing of such change with relevant administration of industry and commerce was subsequently effected on 29 December 2007.

As a result of the acquisition of the entire issued share capital of Lessonstart by our Company as referred to under the paragraph headed “Corporate reorganisation” in Appendix VI to this prospectus, PCKSP has become an indirect wholly-owned subsidiary of our Company.

Hualong Anti-Corrosion

Hualong Anti-Corrosion was established on 19 October 1999 as a sino-foreign equity joint venture to engage in steel pipe coating and lining services with a registered capital of RMB20.6 million. At the time of its establishment, Hualong Anti-Corrosion was owned as to 50% by 青縣華龍鋼管防腐有限公司 (Qing County Hualong Steel Pipe Anti-Corrosion Co. Ltd.*), an Independent Third Party, 25% by PCKSP and 25% by Lessonstart.

On 7 May 2001, 青縣華龍鋼管防腐有限公司 (Qing County Hualong Steel Pipe Anti-Corrosion Co. Ltd.*) entered into an equity transfer agreement with 盤錦華龍工貿有限公司 (Panjin Hualong Industry and Trading Co. Ltd.*), an Independent Third Party, to transfer its 50% equity interest in Hualong Anti-Corrosion to 盤錦華龍工貿有限公司 (Panjin Hualong Industry and Trading Co. Ltd.*) at nil consideration. To the best knowledge, information and belief of our Directors, 青縣華龍鋼管防腐有限公司 (Qing County Hualong Steel Pipe Anti-Corrosion Co. Ltd.*) and 盤錦華龍工貿有限公司 (Panjin Hualong Industry and Trading Co., Ltd.*) were then held by the same group of shareholders. Such transfer was apparently an intra-group transaction and thus the consideration was determined to be nil. The transfer was approved by 廣州市番禺區對外經濟貿易局 (Guangzhou City Panyu District Foreign Trade Economic Bureau*) and the filing of such change with the relevant administration of industry and commerce was subsequently effected.

On 30 May 2007, in contemplation of the Listing and with a view to consolidating the results of Hualong Anti-Corrosion into our Group as a wholly-owned subsidiary of our Group, PCKSP entered into an equity transfer agreement to acquire from 盤錦華龍工貿有限公司 (Panjin Hualong Industry and Trading Co. Ltd.*) the 50% equity interest of Hualong Anti-Corrosion, the unaudited net asset value of which at the material time being RMB18.2 million, at a consideration of approximately RMB12.3 million, which was determined after arm’s length negotiation and with reference to the amount invested by 盤錦華龍工貿有限公司 (Panjin Hualong Industry and Trading Co. Ltd.*) and the business potential of Hualong Anti-Corrosion. The transfer was approved by 廣州市番禺區對外經濟貿易局 (Guangzhou City Panyu District Foreign Trade Economic Bureau*). After the said transfer was approved and that the filings with the relevant administration of industry and commerce were effected on 2 July 2007, Hualong Anti-Corrosion became owned as to 75% by PCKSP and 25% by Lessonstart.

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As part of the Reorganisation, Lessonstart and CKSPG entered into an equity transfer agreement dated 20 December 2007 pursuant to which Lessonstart transferred its 25% equity interest in the registered capital of Hualong Anti-Corrosion to CKSPG at a nominal consideration of HK\$1. The transfer was approved by 廣州市番禺區對外經濟貿易局 (Guangzhou City Panyu District Foreign Trade Economic Bureau*) and the filing with the relevant administration of industry and commerce was effected on 29 December 2007.

Immediately after completion of the Reorganisation, Hualong Anti-Corrosion became an indirect wholly-owned subsidiary of our Company.

PCKSP (Lianyungang)

PCKSP (Lianyungang) was established on 8 July 2009 to engage in the manufacture and sale of steel pipes. At the time of its establishment, PCKSP (Lianyungang), with a registered capital of RMB40 million which was fully paid in cash, was owned as to 100% by PCKSP and was an indirect wholly-owned subsidiary of our Company. According to the capital verification report issued by 連雲港天洲聯合會計師事務所 (Lianyungang Tianzhou C.P.A. Partnership*) dated 7 July 2009, the registered capital of RMB40 million was fully paid up by PCKSP as at 7 July 2009.

In October 2009, PCKSP (Lianyungang) increased its registered capital by RMB160 million to RMB200 million with the additional capital contribution of RMB160 million, which additional capital contribution was fully paid in cash and is intended to be used in enlarging the scale and scope of operation of PCKSP (Lianyungang) so as to capture the business opportunity in the market of LSAW steel pipes. According to the capital verification report issued by 連雲港天洲聯合會計師事務所 (Lianyungang Tianzhou C.P.A. Partnership*) dated 15 October 2009, such RMB160 million capital contribution was fully paid into PCKSP (Lianyungang) by PCKSP as at 14 October 2009.

In November 2009, PCKSP (Lianyungang) further increased its registered capital by RMB500 million to RMB700 million for meeting the capital requirements for its future business operation. According to the capital verification report issued by 連雲港天州聯合會計師事務所 (Lianyungang Tianzhou C.P.A. Partnership*) dated 2 November 2009, such RMB500 million capital contribution was fully paid into PCKSP (Lianyungang) by PCKSP in cash as at 2 November 2009. The increase in the registered capital is to fund the start-up capital for executing our Group's expansion plan in Lianyungang, Jiangsu Province, the PRC such as for the purchase of a site, on which the production premises will be established, in Lianyungang, Jiangsu Province, the PRC and the construction of building structures to house the production facilities. Please refer to the sub-paragraph headed "To increase our production capacity as well as enhance our production efficiency and quality assurance and control systems" under the paragraph headed "Our strategies" in the section headed "Business" of this prospectus for further details of such expansion plan.

PCKSP (Lianyungang), which is principally engaged in the manufacture and sale of steel pipes, had not commenced any commercial operation as at the Latest Practicable Date.

GPR Companies

To leverage on his expertise and experience in the industry, Mr. Chen, through one of his own investment vehicles, JCH Enterprise, established the GPR Companies on 16 October 2006 with a view to expanding new lines of businesses, substantially ancillary to that conducted by PCKSP and Hualong Anti-Corrosion. Before the Reorganisation, all GPR Companies were wholly owned by JCH Enterprise and registered as wholly foreign-owned enterprises under the PRC laws.

(i) GPR Steel Pipe

GPR Steel Pipe was established on 16 October 2006 to engage in the manufacture of steel pipes. GPR Steel Pipe had a registered capital of HK\$50 million at the time of its establishment which amount had remained unchanged as at the Latest Practicable Date. According to the capital verification report issued by 廣州市建弘會計師事務所有限公司 (Guangzhou Jianhong Certified Public Accountants Co., Ltd.*) dated 5 January 2007, JCH Enterprise contributed HK\$7.5 million, being 15% of the registered

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capital of GPR Steel Pipe, as at 20 December 2006. Pursuant to the current articles of association of GPR Steel Pipe, the remaining 85% of the registered capital shall be paid up within three years of its establishment. In contemplation of the Listing, JCH Enterprise entered into an equity transfer agreement with CKSPG on 20 December 2007, pursuant to which JCH Enterprise transferred its equity interest in GPR Steel Pipe to CKSPG at a nominal consideration of HK\$1. Such transfer was made at a nominal consideration in view of the waiver of the shareholder's loan then owed by JCH Enterprise to Mr. Chen. Such transfer is one of the steps of our Reorganisation. After the said transfer was approved and that the filing with the relevant administration of industry and commerce was effected on 29 December 2007, GPR Steel Pipe became a wholly-owned subsidiary of CKSPG.

According to the capital verification report issued by 廣州市建弘會計師事務所有限公司 (Guangzhou Jianhong Certified Public Accountants Co., Ltd.*) dated 4 May 2008, CKSPG contributed HK\$5 million, being 10% of the registered capital of GPR Steel Pipe, as at 23 April 2008. The remaining unpaid 75% of the registered capital of GPR Steel Pipe, being HK\$37.5 million, was subsequently contributed by CKSPG as at 30 July 2009 according to the capital verification report issued by 廣州市建弘會計師事務所有限公司 (Guangzhou Jianhong Certified Public Accountants Co., Ltd.*) dated 4 August 2009. As at 30 July 2009, the registered capital of HK\$50 million of GPR Steel Pipe was fully paid up.

In view of the potential business opportunity in the Yangtze river delta area, GPR Steel Pipe established a branch office at Zhangjiagang in Jiangsu Province, the PRC on 14 January 2008 and another branch office, namely GPR Steel Pipe (Jiangsu branch), at Jiangyin, Wuxi City, the PRC on 17 October 2008. In this connection and as part of the Reorganisation, Chu Kong Zhangjiagang, which was a sino-foreign joint venture owned as to 75% by PCKSP and 25% by Lessonstart prior to the Reorganisation, was excluded from our Group. Details of Chu Kong Zhangjiagang and the reason of its exclusion from our Group are disclosed in the section headed "Relationship with Controlling Shareholders" in this prospectus.

GPR Steel Pipe and the GPR Steel Pipe (Zhangjiagang branch), which are principally engaged in the manufacture of steel pipes, commenced commercial operations in late March 2008. However, since the lessor of the factory complex (comprising a parcel of land with two major buildings and structures erected thereon) for a JCOE production line in GPR Steel Pipe (Zhangjiagang branch) failed to provide valid title certificates or other relevant documents evidencing that the lessor has the requisite title or right to lease such property, the lease agreement has not been duly registered in compliance with the PRC law and as such and taking into account of the costs which may be involved in relocating the JCOE production line, the GPR Steel Pipe entered into a disposal agreement with an Independent Third Party on 21 August 2009 to dispose of the JCOE production line and the related ancillary production facilities then located in GPR Steel Pipe (Zhangjiagang branch) at a consideration of approximately RMB119.2 million after arm's length negotiation. Such JCOE production line and the related ancillary production facilities were delivered to the Independent Third Party on 31 August 2009 and GPR Steel Pipe (Zhangjiagang branch) did not carry on any commercial operation since then and proposes to apply for de-registration. GPR Steel Pipe (Jiangsu branch), which is also principally engaged in the manufacture of steel pipes, established a new JCOE production line with an annual production capacity of approximately 300,000 tonnes of LSAW steel pipes and commenced trial production in September 2009 and commercial production in January 2010.

(ii) GPR Coating

GPR Coating was established on 16 October 2006 to engage in steel pipe coating and lining services. At the time of its establishment, GPR Coating had a registered capital of HK\$10 million which amount had remained unchanged as at the Latest Practicable Date. According to three capital verification reports issued by 廣州市建弘會計師事務所有限公司 (Guangzhou Jianhong Certified Public Accountants Co., Ltd.*) dated 5 January 2007, 4 May 2008 and 16 October 2008, the registered capital of GPR Coating was fully paid up as at 15 October 2008. In contemplation of the Listing, JCH Enterprise entered into an equity transfer agreement with CKSPG on 20 December 2007, pursuant to which JCH Enterprise transferred its equity interest in GPR Coating to CKSPG at a nominal consideration of HK\$1.

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Such transfer was made at a nominal consideration in view of the waiver of the shareholder's loan then owed by JCH Enterprise to Mr. Chen. Such transfer is one of the steps of our Reorganisation. After the said transfer was approved and that the filing with the relevant administration of industry and commerce was effected on 29 December 2007, GPR Coating became a wholly-owned subsidiary of CKSPG.

GPR Coating, which is principally engaged in the provision of steel pipe coating and lining services, commenced commercial operation in June 2008.

(iii) GPR Casing Pipe

GPR Casing Pipe was established on 16 October 2006 to engage in manufacturing and sale of casing pipes. At the time of its establishment, GPR Casing Pipe had a registered capital of HK\$21 million which amount had remained unchanged as at the Latest Practicable Date. According to three capital verification reports issued by 廣州市建弘會計師事務所有限公司 (Guangzhou Jianhong Certified Public Accountants Co., Ltd.*) dated 5 January 2007, 4 May 2008 and 16 October 2008, the registered capital of GPR Casing Pipe was fully paid up as at 15 October 2008. In contemplation of the Listing, JCH Enterprise entered into an equity transfer agreement with CKSPG on 20 December 2007, pursuant to which JCH Enterprise transferred its equity interest in GPR Casing Pipe to CKSPG at a nominal consideration of HK\$1. Such transfer was made at a nominal consideration for the waiver of the shareholder's loan then owed by JCH Enterprise to Mr. Chen. Such equity transfer is one of the steps of our Reorganisation. After the said transfer was approved and that the filing with the relevant administration of industry and commerce was effected on 29 December 2007, GPR Casing Pipe became a wholly-owned subsidiary of CKSPG.

GPR Casing Pipe, which is principally engaged in the manufacture and sale of casing pipes, commenced commercial operation in October 2008.

(iv) GPR Petrol-Fittings

GPR Petrol-Fittings was established on 16 October 2006 to engage in the manufacture and sale of pipe parts. At the time of its establishment, GPR Petrol-Fittings had a registered capital of HK\$5 million which amount had remained unchanged as at the Latest Practicable Date. According to three capital verification reports issued by 廣州市建弘會計師事務所有限公司 (Guangzhou Jianhong Certified Public Accountants Co., Ltd.*) dated 5 January 2007, 25 July 2007 and 16 October 2008, the registered capital of GPR Petrol-Fittings was fully paid up as at 15 October 2008. In contemplation of the Listing, JCH Enterprise entered into an equity transfer agreement with CKSPG on 20 December 2007, pursuant to which JCH Enterprise transferred its equity interest in GPR Petrol-Fittings to CKSPG at a nominal consideration of HK\$1. Such transfer was made at a nominal consideration in view of the waiver of the shareholder's loan then owed by JCH Enterprise to Mr. Chen. Such equity transfer is one of the steps of our Reorganisation. After the said transfer was approved and that the filing with the relevant administration of industry and commerce was effected on 29 December 2007, GPR Petrol-Fittings became a wholly-owned subsidiary of CKSPG.

GPR Petrol-Fittings, which is principally engaged in the manufacture and sale of pipe parts, commenced commercial operation in June 2008.

Legality of our subsidiaries in the PRC

As advised by our legal advisers as to PRC law and save as disclosed below, all necessary administrative and legal procedures and requirements in relation to the increases in the registered capital, changes in equity interests in and legal status of our subsidiaries aforesaid have been complied with and such increases and changes are legal and valid. The corporate restructuring procedures in respect of the members of our Group in the PRC were in compliance with the applicable laws and regulations in the PRC. The respective authority approving the increases in registered capital, changes in equity interest and legal status of our subsidiaries as aforesaid is the proper and competent authority for granting such approvals.

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Our management then decided to allocate our funding resources for our existing production lines and therefore injected the remaining capital in these companies at a later stage. Moreover, such extension of time for capital injection has been approved by 廣州市番禺區對外貿易經濟合作局 (Guangzhou City Panyu District Foreign Trade Economic Bureau*) and as the registered capital of each of these companies was fully paid up before the approved deadline, our legal advisers as to PRC law have confirmed that the extension of time for capital injection for GPR Coating, GPR Casing Pipe and GPR Petrol-Fittings will not cause any adverse impact on the establishment and subsistence of these companies.

Moreover, according to our legal advisers as to PRC law, the initial registered capital of PCKSP and its subsequent increase in the registered capital of PCKSP in September 1999 and September 2001, and the initial registered capital of Hualong Anti-Corrosion were not fully paid up within the required time line. Our Directors confirm that no penalty has ever been imposed on these two companies by the relevant authorities for the failures in making capital contribution on schedule by the respective shareholders of these two companies. Furthermore, our legal advisers as to PRC law are in the opinion that, given that the relevant registered capital of these two companies have been fully paid up and that the two companies have, after undergoing capital verification, successfully gone through the relevant annual inspection of 2008 with the requisite licences for their respective operation renewed, the said delay in capital injection for these two companies will not cause any adverse impact on their establishment and subsistence.

As advised by our legal advisers as to PRC law, the establishment of our subsidiaries in the PRC are in compliance with all necessary approvals and registration procedures required by the relevant industry and commerce bureaus under the provisions of the prevailing laws, rules and administrative regulations of the PRC and accordingly, the status as duly established domestic enterprises or foreign-invested enterprises in the PRC will not be affected by the citizenship of Mr. Chen, its ultimate controlling shareholder, as a PRC resident.

Pursuant to the Acquisition Regulations, an offshore special purpose vehicle formed for listing purposes and controlled, directly or indirectly, by PRC companies or individuals, shall be required to obtain approval from the China Securities Regulatory Commission prior to the listing and trading of the securities of such offshore special purpose vehicle on an overseas stock exchange. In accordance with the Acquisition Regulations, “takeover of a domestic enterprise by a foreign investor” means that the foreign investor purchases by agreement the equities of the shareholders of a domestic non-foreign-invested enterprise (“**Domestic Enterprise**”) or subscribes to the increased capital of a Domestic Enterprise, and thus changes the Domestic Enterprise into a foreign-invested enterprise; or, a foreign investor establishes a foreign-investment enterprise, and through which it purchases by agreement the assets of a Domestic Enterprise and owns its assets; or, a foreign investor purchases by agreement the assets of a Domestic Enterprise, and then invest such assets to establish a foreign-invested enterprise and own the assets.

As advised by our legal advisers as to PRC law, the foreign-invested enterprises among our subsidiaries in the PRC were all set up by way of establishment as foreign-invested enterprises (as opposed to formation by way of merger) and accordingly, the Acquisition Regulations are not applicable to the establishment of these subsidiaries. In addition, our legal advisers as to PRC law also advised that, our subsidiaries in the PRC are not subject to the Acquisition Regulations as there is no such acquisition of domestic enterprises by foreign institutions (as defined in the Acquisition Regulations) involved in their reorganisation and neither our Company nor any of our indirect subsidiaries in the PRC is required to obtain approvals or permits from any relevant PRC government authorities or departments (Ministry of Commerce, China Securities Regulatory Commission, etc.) or complete any other legal procedures, or register with any other PRC government authorities or departments for the purpose of the Listing.

In addition to rules and regulations of the PRC to which our PRC subsidiaries are subject, Mr. Chen, being a resident in the PRC, is required under 《關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》 (Notice of the State Administration of Foreign Exchange on Relevant Issues concerning Foreign Exchange Administration on Domestic Residents’ Fund-raising and Return Investment via Overseas Special Purpose Companies*) promulgated by SAFE on 21 October 2005 and effective as of 1 November 2005 to apply to relevant foreign exchange administration authorities for foreign exchange registration of overseas investment before he set up or control our Company and its associated

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overseas companies. Our legal advisers as to PRC law have confirmed that Mr. Chen had completed the required registration and no other approval or consent in relation to his direct or indirect interests in our Company is required to be obtained and that the Reorganisation complies with applicable PRC laws and regulations, and all necessary approvals from the PRC regulatory authorities, including the necessary foreign exchange registration, required to implement the Reorganisation have been obtained.

Crown Central and Lucknow

Crown Central was incorporated on 21 March 1995 in Hong Kong as a limited company to engage in trading of steel pipes in Hong Kong with a registered share capital of HK\$10,000 divided into 10,000 shares of HK\$1 each. Pursuant to the members' resolutions dated 26 April 1995, the authorised share capital of Crown Central was increased to HK\$1,000,000 divided into 1,000,000 shares of HK\$1 each. Since 31 December 1999, Crown Central has been wholly and beneficially owned by Lessonstart and has had an issued share capital of HK\$1,000 comprising 1,000 shares, of which 999 shares are held by Lessonstart and 1 share is held by Lucknow (as a registered shareholder on trust for Lessonstart). Crown Central is involved in the trading of steel pipes in Hong Kong and its major functions are (i) to handle the sales contracts relating to the trading of steel pipes in Hong Kong; and (ii) to enhance the image of PCKSP to its overseas customers as an overseas establishment for PCKSP (and its group companies at that time) which the Directors consider that would facilitate the overseas marketing and assist liaison with PCKSP's overseas customers at that time.

Lucknow was incorporated on 22 November 1994 in BVI as an investment holding company. It has a registered share capital of US\$50,000 divided into 50,000 shares of US\$1 each. As at 31 December 1998, Lessonstart was and remains as the sole shareholder of Lucknow. Lucknow acts as an investment holding company of our Group.

Lessonstart and CKSPG

Lessonstart was incorporated in BVI on 18 May 1993. It has a registered share capital of US\$50,000 divided into 50,000 shares of US\$1 each. As at 31 December 1999, Bournam, which was wholly and beneficially owned by Mr. Chen during the Track Record Period and up to the Latest Practicable Date, was and remains as the sole shareholder of Lessonstart.

CKSPG was incorporated in Hong Kong on 13 December 2007 in connection with the Listing. It has a registered share capital of HK\$100,000 divided into 100,000 shares of HK\$1 each. Lessonstart is the sole shareholder of CKSPG.

Both Lessonstart and CKSPG act as the investment holding companies of our Group.

Our Company

In preparation of the Listing, our Company was incorporated in the Cayman Islands on 9 January 2008 as an exempted company with limited liability. On 9 January 2008, one Share was allotted and issued, nil paid, to Codan Trust Company (Cayman) Limited, which was transferred to Bournam on the same date. 999,999 additional Shares were allotted and issued, nil paid, to Bournam on the same date. As the final step of the Reorganisation, our Company acquired from Bournam the entire issued share capital of Lessonstart pursuant to a share purchase agreement dated 23 January 2010, in consideration of and in exchange for (i) the allotment and issue, credited as fully paid, of 99,000,000 new Shares to Bournam; and (ii) the crediting as fully paid at par the 1,000,000 nil-paid Shares then held by Bournam, thereby becoming the ultimate holding company of our Group.

Please refer to the paragraphs headed "Corporate reorganisation" and "Changes in share capital of subsidiaries" in Appendix VI to this prospectus for further details of the steps of the Reorganisation we underwent prior to the Listing and changes in the share capital of our subsidiaries.

CORPORATE HISTORY, DEVELOPMENT AND REORGANISATION

MILESTONES IN OUR BUSINESS DEVELOPMENT

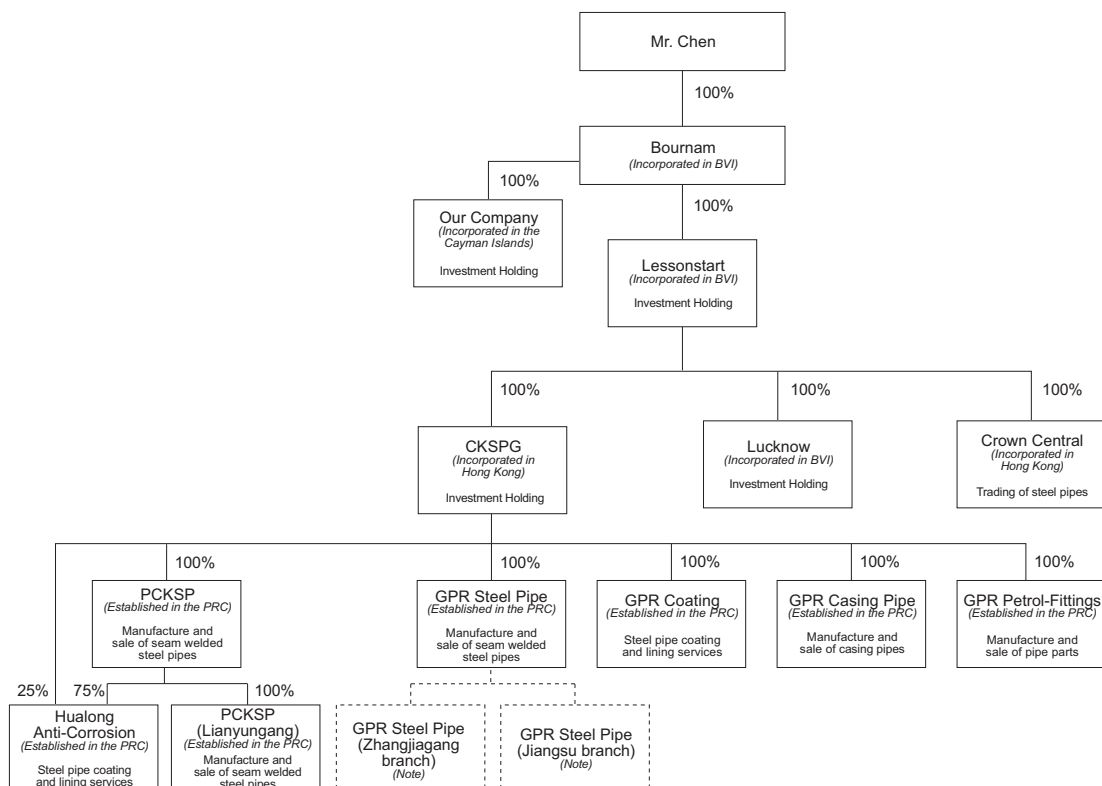
Our Group was founded in 1993 by Mr. Chen. With years of efforts, our Group has now become a well-known steel pipe manufacturer in the PRC. The following set out the key milestone events of our Group since establishment:

July 1995	Our ERW steel pipes production line, with an annual production capacity of approximately 150,000 tonnes of ERW steel pipes, commenced commercial production
January 1996	We successfully produced steel pipes which met the quality and technical standards of API and were licensed to use the API Monogram on our steel pipe products
November 1998	Our first JCOE production line, with an annual production capacity of approximately 300,000 tonnes of LSAW steel pipes, which was one of the first LSAW steel pipes production lines in the PRC, commenced commercial production
September 2002	Our UOE production line, with an annual production capacity of approximately 400,000 tonnes of LSAW steel pipes and the first LSAW steel pipes production line using UOE production method in the PRC, commenced commercial production
December 2006	Our LSAW steel pipes were recognised to meet the “X80” standards and were certified by 廣州市科學技術局 (Guangzhou Science and Technology Bureau*) as suitable for application in 西氣東輸二綫計劃 (Second West – East Gas Pipeline Project*)
February 2008	PCKSP were recognised by Shell Global Solutions International B.V. to have the technical capability to manufacture and deliver steel pipes in compliance with the Shell Global Solutions’ Piping Specification and PCKSP was registered as one of the compliants for a period of three years
March 2008	We set up a new JCOE production line in Zhangjiagang, Jiangsu Province, the PRC with an annual production capacity of approximately 200,000 tonnes of LSAW steel pipes and commenced commercial production (disposed in August 2009)
January 2009 and February 2009	PCKSP were recognised by Shell Global Solutions International B.V. to have the technical capability to manufacture and deliver steel pipes in compliance with the Shell Global Solutions’ Design and Engineering Practices (DEP’s) and PCKSP was registered as one of the compliants with DEP’s for a period of three years
January 2010	We set up a new JCOE production line in Jiangyin, Jiangsu Province, the PRC with an annual production capacity of approximately 300,000 tonnes of LSAW steel pipes and commenced commercial production

CORPORATE HISTORY, DEVELOPMENT AND REORGANISATION

GROUP STRUCTURE

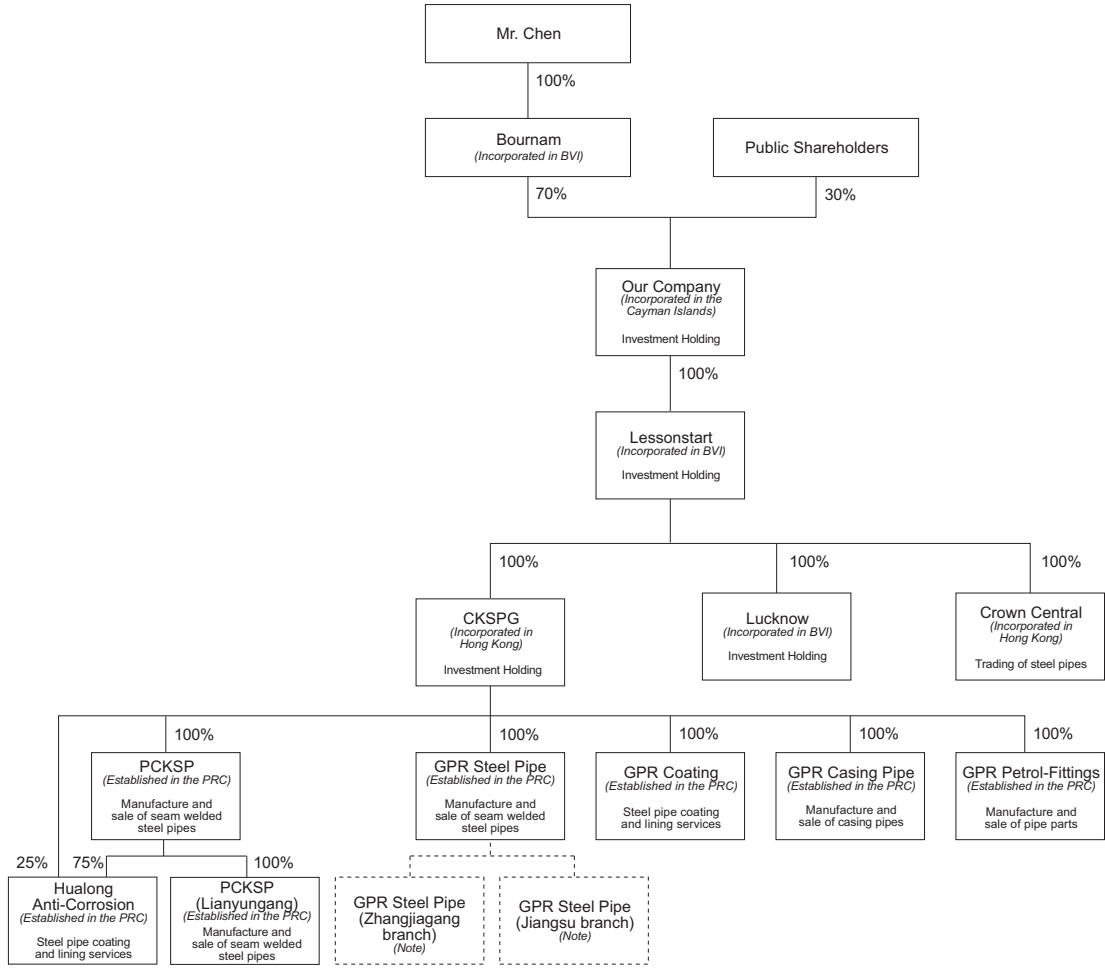
The corporate structure and the principal activities of the members of our Group immediately before completion of the Reorganisation, the Capitalisation Issue and the Global Offering (assuming that the Over-allotment Option and any options that may be granted under the Share Option Scheme are not exercised) are set out below:



Note: Neither GPR Steel Pipe (Zhangjiagang branch) nor GPR Steel Pipe (Jiangsu branch) is an independent legal person. GPR Steel Pipe (Zhangjiagang branch) has not carried on any production subsequent to the Track Record Period and was in the process of deregistration as at the Latest Practicable Date.

CORPORATE HISTORY, DEVELOPMENT AND REORGANISATION

The corporate structure and the principal activities of the members of our Group immediately following completion of the Reorganisation, the Capitalisation Issue and the Global Offering (assuming that the Over-allotment Option and any options that may be granted under the Share Option Scheme are not exercised) are set out below:



Note: Neither GPR Steel Pipe (Zhangjiagang branch) nor GPR Steel Pipe (Jiangsu branch) is an independent legal person. GPR Steel Pipe (Zhangjiagang branch) has not carried on any production subsequent to the Track Record Period and was in the process of deregistration as at the Latest Practicable Date.