

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the Global Offering and the Capitalisation Issue (but without taking into account of the Shares to be issued pursuant to the exercise of the Over-allotment Option or options which may be granted under the Share Option Scheme), Mr. Chen will through his wholly-owned company (namely Bournam) be entitled to exercise or control the exercise of 70% of the issued share capital of our Company and thus both of them will become our Controlling Shareholders.

Apart from the connected transactions set out in the section headed “Connected transactions” in this prospectus, our Directors do not expect that there will be any other significant transactions between our Group and our Controlling Shareholders upon or shortly after the Listing.

INFORMATION ON OTHER COMPANIES OWNED BY MR. CHEN

Our Group was originated from the restructuring of the JCH Excluded Group and the Lessonstart Group in which Mr. Chen, directly or indirectly, has beneficial interests. Following completion of the Reorganisation, Mr. Chen remains interested or invested in, other than through our Group, the following companies (except Chu Kong Zhangjiagang which has been deregistered):

1. Bournam

Bournam is a company incorporated under the laws of BVI with limited liability on 11 June 1997 and is beneficially wholly owned by Mr. Chen. During the Track Record Period, Bournam was the holding company of Lessonstart, and has become the holding company of our Company since its incorporation on 9 January 2008. As part of the Reorganisation, a share purchase agreement dated 23 January 2010 was made between Bournam as vendor, Mr. Chen as warrantor and our Company as purchaser, pursuant to which Bournam transferred its entire interest in Lessonstart to our Company. Since our incorporation, Bournam has been our Shareholder and since 23 January 2010, our Company has become the holding company of our Group.

The principal business activity of Bournam is investment holding and save as disclosed above, it has not been carrying on any business operation or activities since the commencement of the Track Record Period.

2. JCH Enterprise

JCH Enterprise is a limited liability company incorporated in the Cayman Islands on 4 February 2003 and has been beneficially wholly owned by Mr. Chen throughout the Track Record Period. During the Track Record Period, JCH Enterprise was the holding company of the GPR Companies (up to 29 December 2007 when the filing with the relevant administration of industry and commerce regarding the transfer of the entire equity interest in the GPR Companies to CKSPG was effected), Dalong Welding Material and Jinfeng Anti-Corrosion Material. As part of the Reorganisation, JCH Enterprise transferred all its interests in the GPR Companies to our Group and remains to be the holding company of Dalong Welding Material and Jinfeng Anti-Corrosion Material. Also, as part of the Reorganisation, it acquired Chu Kong Zhangjiagang in February 2008 (which was subsequently de-registered in September 2008).

Save as disclosed above, JCH Enterprise has not been carrying on any business operation or activities since the commencement of the Track Record Period.

3. Dalong Welding Material

Dalong Welding Material is a wholly foreign owned enterprise incorporated in the PRC on 19 October 2006. According to its business licence, the permitted scope of business of Dalong Welding Material is “in preparation for the production of materials for use in the welding process”. As at the Latest Practicable Date, Dalong Welding Material was wholly owned by JCH Enterprise, with Mr. Chen as its sole director. As it has not commenced business since its establishment, Dalong Welding Material does not have a management team and was in the process of deregistration as at the Latest Practicable Date.

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4. Jinfeng Anti-Corrosion Material

Jinfeng Anti-Corrosion Material is a wholly foreign owned enterprise incorporated in the PRC on 19 October 2006. According to its business licence, the permitted scope of business of Jinfeng Anti-Corrosion Material is “in preparation for the production and processing of anti-corrosive and other related materials”. As at the Latest Practicable Date, Jinfeng Anti-Corrosion Material was wholly owned by JCH Enterprise, with Mr. Chen as its sole director. As it has not commenced business since its establishment, Jinfeng Anti-Corrosion Material does not have a management team and was in the process of deregistration as at the Latest Practicable Date.

5. Chu Kong Zhangjiagang

Chu Kong Zhangjiagang was initially established as a wholly foreign owned enterprise (then wholly owned by Lessonstart) in the PRC on 11 June 2007 with a registered capital of US\$12 million, none of which has been paid up. Shortly thereafter on 2 July 2007, the filing with the relevant administration of industry and commerce regarding the change of investors in Chu Kong Zhangjiagang was effected, and Chu Kong Zhangjiagang was then owned as to 75% by PCKSP and 25% by Lessonstart. Chu Kong Zhangjiagang was initially set up for the purpose of conducting steel pipe businesses in the Yangtze river delta area. During October 2007 to February 2008, certain trial operation of the production line in Zhangjiagang was conducted by our Group, the result of which was fairly satisfactory. To simplify our Group’s structure for the Listing, our management decided to establish a branch in Zhangjiagang through GPR Steel Pipe (which was in the process of deregistration as at the Latest Practicable Date) to carry out our Group’s steel pipe business in the Yangtze river delta area instead. All the start-up cost and administrative cost incurred for the establishment of the production line in Zhangjiagang, which was booked as the asset of PCKSP, and the administrative cost of establishing Chu Kong Zhangjiagang were borne by our Group and such costs were saved for the operation of the Zhangjiagang branch of GPR Steel Pipe (which was in the process of deregistration as at the Latest Practicable Date).

PCKSP and Lessonstart entered into an equity transfer agreement dated 20 February 2008 with JCH Enterprise to transfer their 75% and 25% respective equity interests in the registered capital of Chu Kong Zhangjiagang to JCH Enterprise. Approval for the said transfer was given on 26 February 2008 and the filing with the relevant administration of industry and commerce was effected on 3 March 2008. Chu Kong Zhangjiagang then became a wholly foreign owned enterprise held by JCH Enterprise. Prior to the said transfer, none of the then equity holders of Chu Kong Zhangjiagang has contributed any registered capital as Chu Kong Zhangjiagang was merely a vehicle initially planned to establish our Group’s presence in the Yangtze river delta region. Chu Kong Zhangjiagang was subsequently de-registered in September 2008.

6. GZFLD

GZFLD is a limited liability company incorporated in the PRC on 18 June 1998. During the Track Record Period and up to the Latest Practicable Date, GZFLD was beneficially wholly owned by Mr. Chen. According to its current business licence, the permitted scope of business of GZFLD includes the manufacturing, processing, installation and maintenance of elevators and related accessories. During the Track Record Period, GZFLD also produced structural fittings such as screws, protectors to machines, handles, steel frames and so forth for supplying the same to PCKSP, which is expected to continue after the Listing. Details of such continuing connected transactions are disclosed in the section headed “Connected transactions” in this prospectus. During the period from 25 April 2007 to 20 October 2007, GZFLD, at the direction of Mr. Chen, held 16% equity interest in PCKSP. As disclosed in the section headed “Corporate history, development and Reorganisation” in this prospectus, GZFLD entered into an equity transfer agreement dated 20 October 2007 with Lessonstart to transfer its 16% equity interest in PCKSP to Lessonstart and ceased to hold any interests in any member of our Group. As at the Latest Practicable Date, GZFLD only had one director and is managed by a senior management team of six people. Neither GZFLD’s sole director nor its senior management team overlaps with the directors or management team of our Group.

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7. **Guangzhou City Pearl River Machine Tool Co. Ltd.*** (廣州市珠江機床廠有限公司) (“GZMT”)

GZMT is a limited liability company incorporated in the PRC on 30 July 1998. During the Track Record Period and up to the Latest Practicable Date, GZMT was beneficially wholly owned by Mr. Chen. GZMT is principally engaged in the manufacture and sale of machine tools. As at the Latest Practicable Date, GZMT only had one director and is managed by a senior management team of four people. Neither GZMT's sole director nor its senior management team overlaps with the directors or management team of our Group.

During the Track Record Period, GZMT produced moulding, axles to the machinery and so forth and supplying the same to PCKSP, which is expected to continue after Listing. Details of such continuing connected transactions are disclosed in the section headed “Connected transactions” in this prospectus.

8. **Guangzhou City Panyu Pearl River Enterprises Holdings Co. Ltd.*** (廣州市番禺珠江實業集團有限公司) (“Panyu Pearl River”)

Panyu Pearl River is a limited liability company incorporated in the PRC on 5 November 1995. During the Track Record Period and up to the Latest Practicable Date, Panyu Pearl River was beneficially wholly owned by Mr. Chen. According to its business licence during the Track Record Period, the permitted scope of business of Panyu Pearl River includes the manufacture and processing of steel pipes, machines tools and spare parts, sale of steel raw materials and chemical products. However, during the Track Record Period, save for it becoming the sole shareholder of Mongolia Mining in June 2008, Panyu Pearl River did not have any business operation. Since 3 April 2008 and as at the Latest Practicable Date, the permitted scope of business of Panyu Pearl River has been amended to include the manufacture and processing of machines tools and spare parts, and the sale of chemical products. As at the Latest Practicable Date, Panyu Pearl River had three directors and was managed by one senior management, and none of such directors or senior management overlap with the directors or management team of our Group. Panyu Pearl River is unlikely to commence commercial operation in the next 12 months after Listing.

Although the permitted scope of business of Panyu Pearl River during the Track Record Period included the manufacture and processing of steel pipes, it did not conduct any business operation during the Track Record Period. As at the Latest Practicable Date, the permitted scope of business of Panyu Pearl River did not include the manufacture/processing of steel pipes, or any other business being carried out by our Group. Accordingly, the Directors consider that no competition issues arose during the Track Record Period or will arise after Listing.

9. **Inner Mongolia Xianghuangqi Jinfeng Mining Development Co., Ltd.*** (內蒙古鑲黃旗金豐礦業開發有限公司) (“Mongolia Mining”)

Mongolia Mining is a limited liability company incorporated in the PRC on 19 June 2008. During the Track Record Period and up to the Latest Practicable Date, Mongolia Mining was wholly owned by Panyu Pearl River, which in turn was beneficially wholly owned by Mr. Chen. According to its business licence, the permitted scope of business of Mongolia Mining includes investment in energy resources and the sales of lubricants and mining products.

During the Track Record Period, Mongolia Mining was principally engaged in the drilling and exploitation of oil from oil fields using drilling pipes. Given the principal business engaged by Mongolia Mining is totally different from that of our Group, our Directors consider that no competition issues arose during the Track Record Period or will arise after the Listing. In addition, as the steel pipes produced by our Group are for the main purpose of oil and gas transportation but not for use as drilling pipes, no business dealings have occurred or are expected to arise during the Track Record Period and after the Listing. As at the Latest Practicable Date, save for its sole director being Mr. Chen, none of the members of the management team of Mongolia Mining overlaps with that of our Group.

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10. **Guangzhou City Panyu Pearl River Import & Export Trading Co. Ltd.*** (廣州市番禺珠江貿易進出口有限公司) (“**Pearl River Import & Export**”)

Pearl River Import & Export is a limited liability company incorporated in the PRC on 28 June 1999. During the Track Record Period and up to the Latest Practicable Date, Pearl River Import & Export was beneficially wholly owned by Mr. Chen. Pearl River Import & Export is principally engaged in the business of export trading of machine tools, elevator and spare parts of elevators. As at the Latest Practicable Date, Pearl River Import & Export had three directors and did not have any management team. None of such directors overlap with the management team or directors of our Group.

11. **Guangzhou City Jiayin Trading Co., Ltd.*** (廣州市嘉銀貿易有限公司) (“**Jiayin Trading**”)

Jiayin Trading (formerly known as Guangzhou City Panyu Pearl River Import & Export Trading Co. Ltd.* (廣州市番禺南方物資供應公司)) is a limited liability company incorporated in the PRC on 23 February 1990. During the Track Record Period and up to the Latest Practicable Date, Jiayin Trading was beneficially wholly owned by Madam Su Xing Fang, the wife of Mr. Chen. Jiayin Trading was principally engaged in the business of supplies of ironware and metal parts prior to April 2009 and thereafter was principally engaged in the wholesale and retail trading of paints. As at the Latest Practicable Date, the sole beneficial owner of Jiayin Trading was also its sole director and sole member of its senior management. Such sole director does not overlap with the management team or directors of our Group.

Mr. Chen has confirmed that he is not, and to the best of his information, knowledge and belief, his associate are not engaged in, or interested in any business which, directly or indirectly, competes or may compete with our Group’s businesses.

As set out under the paragraph headed “Reasons for not including the Excluded Group in our Group” below in this section, none of the principal business being carried out by members of the Excluded Group overlaps with those of our Group. Further, save for GZFLD and GZMT, our Group will have no transactions with members of the Excluded Group after the Listing. For the continuing connected transactions with GZFLD and GZMT (which would act as our suppliers for the Spare Parts) and which will recur after the Listing, such transactions constitute a relatively insignificant portion of GZFLD and GZMT’s turnover and our Group has also been engaging alternative suppliers for similar purposes. Please see the section headed “Connected transactions” in this prospectus for further details. For the aforesaid reasons, our Directors consider that we are capable of carrying on our business independently of members of the Excluded Group.

Reasons for not including the Excluded Group in our Group

Our Directors decided that it is not in the best interests of our Group to include the Excluded Group in our Group through the Reorganisation for the purpose of the Listing due to the following reasons:

1. The business scope of each of GZFLD, GZMT, Panyu Pearl River, Pearl River Import & Export, Mongolia Mining and Jiayin Trading is different from the principal activity of our Group and the inclusion of these companies will not create any synergy with the principal business activities of our Group.

Despite the fact that transactions with GZFLD and GZMT are expected to continue as set out in the section headed “Connected transactions” in this prospectus, the percentage of sales of the Spare Parts to PCKSP is relatively minimal comparing with the total turnover of each of GZFLD and GZMT during the Track Record Period, as the main products produced by GZFLD and GZMT are elevators and machine tools respectively, not the Spare Parts supplied to PCKSP during the Track Record Period.

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During the Track Record Period, both GZFLD and GZMT sold their products to customers other than our Group. Such sales to other customers is approximately 91.7%, 94.3%, 94.5% and 97.1% respectively of GZFLD's total turnover for each of the three years ended 31 December 2008 and the eight months ended 31 August 2009, and approximately 98.1%, 83.7%, 76.7% and 81.9% respectively of GZMT's total turnover for the same periods.

PCKSP engaged suppliers (being Independent Third Parties) other than GZFLD and GZMT during the Track Record Period for the Spare Parts which it required for its operation. It is expected that our Group can continue to engage such alternative suppliers who can offer similar terms of supplies as those offered by GZFLD and GZMT after the Listing as and when PCKSP considers necessary and appropriate. In addition, neither the principal business activities of nor the main products produced by GZFLD and GZMT (namely, elevators and machine tools respectively) are the same as those of the Group. For such reasons, our Directors do not consider it necessary to include GZMT and GZFLD into our Group as they will not create any synergy with the principal business activities of our Group.

2. JCH Enterprise is only an investment holding company of Dalong Welding Material, Jinfeng Anti-Corrosion Material and Chu Kong Zhangjiagang (before its deregistration in September 2008). Both Dalong Welding Material and Jinfeng Anti-Corrosion Material have not commenced businesses while Chu Kong Zhangjiagang was deregistered in September 2008. The intended principal business of Dalong Welding Material is the production and sale of materials for use in the welding process and that of Jinfeng Anti-Corrosion Material is the production and processing of anti-corrosive and other related materials, both of which are not the principal business activities of our Group.
3. As disclosed above, to simplify our Group's structure for the Listing, our management previously established GPR Steel Pipe (Zhangjiagang branch) (which was in the process of deregistration as at the Latest Practicable Date) to carry out our Group's steel pipe business in the Yangtze River delta area. Accordingly, Chu Kong Zhangjiagang was deregistered as at the Latest Practicable Date.

Taking into account the above reasons and in order to concentrate on the principal businesses of our Group, we have not included the entities of the Excluded Group as members of our Group. For the year ended 31 December 2006, the year ended 31 December 2008 and the eight months ended 31 August 2009, the Excluded Group made an aggregate loss of approximately RMB4,800,000, RMB1,486,452 and RMB369,677 respectively. For the year ended 31 December 2007, the Excluded Group made an aggregate profit of approximately RMB746,000. Our Group has no present intention to inject the business of any members of the Excluded Group into our Group after Listing.

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Our Group is capable of carrying on our business independently of and does not place undue reliance on our Controlling Shareholders or the Excluded Group, taking into consideration the following factors:

Business independence

Mr. Chen has entered into a service agreement with our Company for a term of three years commencing on 1 February 2010 and is committed to devote all his time to our Group and he is a director of all members of our Group. Further, save for Chu Kong Zhangjiagang (which was deregistered before the Latest Practicable Date), neither Bournam nor any members of the Excluded Group are engaged in the businesses carried on by our Group. As Chu Kong Zhangjiagang was previously established for a proposed expansion of our Group's business in the Zhangjiagang area, its general scope of business is the same as our Group's. However, as the registered capital of Chu Kong Zhangjiagang has not been paid up, it has not commenced any commercial operation to a considerable scale. In addition, since subsequently GPR Steel Pipe (Zhangjiagang branch) was established to serve the purpose of the proposed expansion in the Zhangjiagang area, the continuing existence of Chu Kong Zhangjiagang is considered to be unnecessary. As set out under the paragraph headed "5. Chu Kong Zhangjiagang" above in this section, Chu Kong Zhangjiagang was officially deregistered on 2 September 2008 and thus no competition issue will arise.

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Save for Mr. Chen being the Chairman of our Company leading our operations and business, and that he was responsible for overseeing the overall strategic development and soliciting for business opportunities for each of the subsidiaries of our Group which carried out actual business operation during the Track Record Period, our Directors believe that our Group has not relied on the Controlling Shareholders or their associates or the Excluded Group to carry on its business during the Track Record Period.

Further, save for the continuing connected transactions disclosed in the section headed “Connected transactions” in this prospectus, there have been no business dealings between our Group and the Controlling Shareholders or members of the Excluded Group.

Since:

- (a) none of the Excluded Group supplied/is expected to supply to our Group principal raw materials for steel pipes either during the Track Record Period or after the Listing;
- (b) the supply of the Spare Parts to our Group by GZFLD and GZMT during the Track Record Period (which is expected to continue after the Listing) are not by themselves raw materials for the production of steel pipes, but are used by our Group for repair and maintenance of machines and as components for the maintenance of machines and/or production lines and the installation of new production lines and new production facilities. Further, during the Track Record Period, our Group had alternative suppliers for the Spares Parts other than from GZFLD and GZMT, and it is expected that we can continue to secure supplies from such alternative suppliers after the Listing as and when the Board considers necessary;
- (c) our Group and the Excluded Group (where applicable) are managed by different management team; and
- (d) our Group and the Excluded Group (where applicable) do not have overlapping customers,

the Directors consider that our Group can operate independently from the Excluded Group.

Financial independence

During the Track Record Period, the non-trade payables to Mr. Chen from our Group amounted to approximately RMB45 million, RMB26 million, RMB15 million and RMB26 million as at 31 December 2006, 31 December 2007, 31 December 2008 and 31 August 2009 respectively. Save as disclosed as aforesaid, there have been no non-trade receivables from or non-trade payables to the Controlling Shareholders or their associates or members of the Excluded Group.

The above non-trade balances between our Group and Mr. Chen will be settled or released in full prior to the Listing.

In April 2008, Bournam as borrower obtained the Bournam Loan from ICBC (Asia) in the aggregate sum of up to HK\$60,000,000 primarily for the purpose of the Reorganisation and/or the Listing. Certain collaterals were given by certain members of our Group and by Mr. Chen in favour of ICBC (Asia). The Bournam Loan was fully repaid in May 2009 and the related collaterals were released as at the Latest Practicable Date.

As the Bournam Loan was settled in full by Bournam with ICBC (Asia) in May 2009 by the dividends declared by PCKSP to its immediate shareholder (i.e. CKSPG), which in turn declared dividends to Lessonstart and which ultimately declared dividends to Bournam in February 2009 and April 2009, all the above collaterals given in connection with the Bournam Loan (including without limitation the share charges over the issued share capital of certain members of our Group) were released in August 2009.

The Directors confirm that our Group has the ability to operate independently from the Controlling Shareholders and their associates and the Excluded Group from the financial perspective.

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Administrative independence

Save for Mr. Chen being the Chairman of our Company leading our operations and business and a director of each member of the JCH Excluded Group (except Chu Kong Zhangjiagang which was de-registered in September 2008) and Mongolia Mining, none of the members of the Board hold any directorship or position in the Excluded Group. All essential administrative functions, such as financial and accounting management, invoicing and billing, research and development, human resources and information technology, have been and will be carried out by our Group without requiring the support of the Controlling Shareholders, their associates or the Excluded Group. Further, there are no overlapping senior management between our Group and the Excluded Group (where applicable).

NON-COMPETITION UNDERTAKING

Each of our Controlling Shareholders has confirmed that, none of them is engaged in, or interested in any business which, directly or indirectly, competes or may compete with our business. In accordance with the non-competition undertakings (the “**Non-Competition Undertakings**”) contained in the share purchase agreement dated 23 January 2010 and made between Bournam as vendor, Mr. Chen as warrantor and our Company as purchaser for the acquisition by our Company of the entire issued share capital in Lessonstart, in consideration of (i) the allotment and issue, credited as fully paid, of 99,000,000 new Shares to Bournam, and (ii) crediting as fully paid at par the 1,000,000 nil-paid Shares then held by Bournam, each of our Controlling Shareholders has undertaken, jointly and severally, that during the period in which any of them and their respective associates, individually or taken as a whole, remains as a controlling shareholder (as defined under the Listing Rules) of our Company:

- (a) if there is any project or new business opportunity that relates to the business activities engaged by our Group from time to time, it or he shall within a reasonable period of time (and in any event not more than 15 days after such opportunity being aware of by the relevant Controlling Shareholders or its/his associates) refer such project or new business opportunity to us for consideration;
- (b) it or he will not invest or participate in any project or business opportunity that competes or may compete, directly or indirectly, with the business activities engaged by our Group from time to time;
- (c) it or he will procure its or his associates (excluding our Group) not to invest or participate in any project or business opportunity mentioned above, unless such project or business opportunity shall have been rejected by us in Board meeting(s) with participation of the independent non-executive Directors having been allowed a period of not less than seven days to consider the subject matters and without the attendance by any Directors with beneficial interest in such project or business opportunity, in which resolutions have been duly passed by the majority of the independent non-executive Directors that our Company or relevant member of our Group has rejected such project or business opportunity and that the relevant associate(s) of the Controlling Shareholder(s) (excluding our Group) shall be entitled to accept or engage in such opportunities. A majority of our independent non-executive Directors have had experience in the duties as an independent (non-executive) director in listed companies and all of our independent non-executive Directors will be further provided with the relevant industry information when they are to consider whether to accept or reject the business opportunities as mentioned above; and
- (d) it or he shall not and shall procure its/his associates not to directly or indirectly engage or otherwise be interested in the business which is the same or similar to that carried on by our Group (otherwise than through our Group).

The Non-Competition Undertakings are conditional on (i) the Listing Committee granting listing of, and permission to deal in, all the Shares in issue and the New Shares to be issued under the Global Offering and the Shares which may be issued upon the exercise of the Over-allotment Option and options that may be granted under the Share Option Scheme; and (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant as a result of the waiver of any condition(s) by the Underwriters) and that the Underwriting Agreements not being terminated in accordance with their terms or otherwise.

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The Non-Competition Undertakings will cease to have effect on the earlier of the date on which: (a) the Controlling Shareholders and their respective associates (individually or taken as a whole) cease to own 30% or more of the then issued share capital of our Company directly or indirectly or cease to be deemed as controlling shareholder of our Company (within the meaning ascribed to it under the Listing Rules from time to time) and do not have power to control the Board and there is at least one other independent Shareholder holding more Shares than the Controlling Shareholders and their associates taken together; or (b) the Shares cease to be listed on the Stock Exchange.

In addition, each of the Controlling Shareholders has undertaken under the Non-Competition Undertakings that he or it shall provide to our Company and/or the Directors (including the independent non-executive Directors) from time to time all information necessary for annual review by the independent non-executive Directors with regard to compliance of the terms of the Non-Competition Undertakings. Each of the Controlling Shareholders has also undertaken to issue an annual confirmation to us on compliance with the terms of the Non-Competition Undertaking and consenting to the disclosure of such confirmation in the annual reports of our Company. Such disclosure is in line with the recommendation of making voluntary disclosures (especially regarding the internal controls of the Group) in the corporate governance report section of annual report, as set out in Appendix 23 to the Listing Rules.

Pursuant to the Articles and subject to the exceptions provided therein, no Director shall vote (nor be counted in the quorum) on any resolution of the Directors approving any contract or arrangement or proposal in which he/she or his/her associates is to his/her knowledge materially interested. Mr. Chen has also given similar undertakings in favour of our Company in that he shall in general abstain from voting, attendance and shall not be counted in the quorum in a Board meeting where there is actual or potential conflicting interest, provided that if considered necessary and appropriate in the absolute discretion of the non-interested Directors present in such Board meeting, Mr. Chen may be invited to attend such Board meeting solely for the purpose of supplying information regarding the transaction(s) concerned.

Concerning the Non-Competition Undertakings,

- (a) the independent non-executive Directors would review, at least on an annual basis, the compliance with and enforcement of the terms of the Non-Competition Undertakings by the Controlling Shareholders, and if any, the options, pre-emptive rights or first rights of refusals provided by the Controlling Shareholders and/or their respective associates on its existing or future competing businesses;
- (b) our Company shall disclose decisions on matters reviewed by the independent non-executive Directors relating to compliance and enforcement of the Non-Competition Undertakings either through annual report, or by way of announcement; and
- (c) our Company shall disclose in the corporate governance report of its annual reports on how the terms of the Non-Competition Undertakings are complied with and enforced.

In addition, each Director confirms that, save for Mr. Chen's interest in Chu Kong Zhangjiagang, which had not carried out business operation since its establishment and was de-registered in September 2008, he/she does not have any competing business with our Group and has, pursuant to his/her service agreement or engagement letter, covenanted with and undertaken to our Company that during the term of his/her service or appointment, he/she shall not, and shall procure that none of his/her associates shall, directly or indirectly, be engaged in or concerned with or interested in any business which is or may be in any respect in competition with the business carried on from time to time by our Group or any of the companies within our Group.

However, the aforesaid restriction does not prohibit the holding (directly or through nominees) by a Director of any securities listed on any stock exchanges as long as not more than 5% of the total voting rights attaching to the securities of the same class shall be so held and shall not restrict the holding of any securities of our Company. Subject to the exceptions as aforesaid, for a period of one year after the expiry or the termination of his/her service or appointment, a Director shall not, and shall procure that none of his/her associates will, directly or indirectly, engage or be engaged in Hong Kong or those regions and markets within the PRC or elsewhere in which any member of our Group operates or has operated any part of its business from time to time, whether directly or indirectly, in any business which is or may be in competition with the business carried on from time to time by our Group or any of the companies within our Group.