

*The estimate of our combined profit attributable to equity holders of the Company for the financial year ended 31 December 2009 is set forth in the section headed "Financial information" in this prospectus.*

#### **(A) BASES AND ASSUMPTIONS**

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

Our Directors have prepared the estimated combined profit attributable to equity holders of the Company for the financial year ended 31 December 2009 based on the audited combined results of the Group for the eight months ended 31 August 2009, the unaudited combined results based on management accounts of the Group for the three months ended 30 November 2009 and an estimated combined results of the Group for the remaining one month ended 31 December 2009.

The profit estimate has been prepared on the basis of accounting policies consistent in all material respects with those currently adopted by our Group as summarised in the accountants' report, the text of which is set out in Appendix I to this prospectus.

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

- There was no material changes in existing political, legal, fiscal, market or economic conditions in Hong Kong, the PRC or any other countries or territories in which we currently operate or which are otherwise material to our income.
- Estimated profit for the year ended 31 December 2009 was not affected by the anti-dumping measures imposed by the US, EU and other countries during the relevant period.
- Other than the anti-dumping measures imposed by the US and EU countries and other countries, there was no changes in policies, legislation, regulations, or practices in Hong Kong, the PRC or any other countries or territories in which we operate or have arrangements or agreements (including, but not limited to, those in relation to land acquisition, sales of steel pipes and taxation of sales income derived therefrom), which may adversely affect our business or operations. Further, with respect to the steel pipe industry in particular, the respective jurisdictions of our overseas customers does not impose material changes, or impose additional austerity measures, to dampen the sales of our Group's products and prices of our Group's products.
- There was no material changes in interest rates from those currently prevailing as at the date of this prospectus.
- There had been no material changes in our Group's operational, trading and financial position since our latest JCOE production line in Jiangyin, the PRC, commenced operation in September 2009 on the basis that:
  - (i) this production line was still in the trial production stage during the four months ended 31 December 2009 and according to the unaudited financial information, the balance of inventory as per the accounting records of the new production line was nil as at 31 December 2009.

- (ii) according to the unaudited financial information, the addition to property, plant and equipment in accordance with the accounting records for the four months ended 31 December 2009 was approximately RMB11.5 million which represents approximately 2.3% of our Group's unaudited balance of property, plant and equipment as at 31 December 2009.
  - (iii) according to the unaudited financial information, the operating costs incurred by this production line recognised as expenses for the four months ended 31 December 2009 was approximately RMB877,000 which only represents approximately 0.22% of our Group's estimated profit for the year ended 31 December 2009.
  - (iv) this production line did not experience any significant start up problems since the commencement of its trial production that might led to the incurrence of any substantial extra costs for the four months ended 31 December 2009.
- there was no material changes in the bases or rates of taxation or duties in the PRC or any of the countries in which we operate or in which we are incorporated or registered; and
  - there was no material changes in foreign currency exchanges rates, interest rates and inflation rates from those currently prevailing.

Set out below is the text of the letters from the independent reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong and from the Joint Sponsors for the purpose of incorporation in this prospectus in connection with the Group's profit estimate for the year ended 31 December 2009.

**(B) LETTER FROM THE INDEPENDENT REPORTING ACCOUNTANTS**



18th Floor  
Two International Finance Centre  
8 Finance Street Central  
Hong Kong

28 January 2010

The Board of Directors  
Chu Kong Petroleum and Natural Gas Steel Pipe Holdings Limited

ICBC International Capital Limited  
Access Capital Limited

Dear Sirs,

We have reviewed the calculations of and the accounting policies adopted in arriving at the estimate of the combined profit attributable to equity holders of Chu Kong Petroleum and Natural Gas Steel Pipe Holdings Limited (the "Company", together with its subsidiaries, hereinafter collectively referred to as the "Group") for the year ended 31 December 2009 (the "Profit Estimate") as set out in the paragraph headed "Profit Estimate" under the section headed "Financial Information" in the prospectus of the Company dated 28 January 2010 (the "Prospectus"), for which the directors of the Company (the "Directors") are solely responsible.

We conducted our work with reference to Auditing Guideline 3.341 "Accountants' Report on Profit Forecasts" issued by the Hong Kong Institute of Certified Public Accountants.

The Profit Estimate has been prepared by the Directors based on the audited combined results of the Group for the eight months ended 31 August 2009, the unaudited combined results of the Group for the three months ended 30 November 2009, and an estimate of the combined results of the Group for the remaining one month ended 31 December 2009.

In our opinion, so far as the calculations and accounting policies are concerned, the Profit Estimate has been properly compiled in accordance with the bases and assumptions made by the Directors as set out in the section headed "Profit Estimate for the financial year ended 31 December 2009 – Bases and Assumptions" of Appendix III to the Prospectus, and is presented on a basis consistent in all material respects with the accounting policies currently adopted by the Group as set out in our Accountants' Report dated 28 January 2010, the text of which is set out in Appendix I to the Prospectus.

Yours faithfully,  
**Ernst & Young**  
Certified Public Accountants  
Hong Kong

## (C) LETTER FROM THE JOINT SPONSORS



28 January 2010

The Directors  
Chu Kong Petroleum and Natural Gas Steel Pipe Holdings Limited

Dear Sirs,

We refer to the estimate of the combined profit attributable to the equity holders of Chu Kong Petroleum and Natural Gas Steel Pipe Holdings Limited (the "Company") for the financial year ended 31 December 2009 (the "Profit Estimate") as set out under the paragraph headed "Profit estimate for the financial year ended 31 December 2009" in the section headed "Financial information" in the prospectus of the Company dated 28 January 2010 (the "Prospectus").

The Profit Estimate, for which you as the directors of the Company (the "Directors") are solely responsible, has been prepared based on the audited combined accounts of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the eight months ended 31 August 2009, the unaudited combined management accounts of the Group for the three months ended 30 November 2009 and an estimate of the combined results of the Group for the remaining one month ended 31 December 2009.

We have discussed with you the bases and assumptions, as set forth in part (A) of Appendix III to the Prospectus, upon which the Profit Estimate has been made. We have also considered the letter dated 28 January 2010 addressed to yourselves and ourselves from Ernst & Young regarding the accounting policies and calculations upon which the Profit Estimate has been made.

On the basis of the foregoing, the bases and assumptions made by you and the accounting policies and calculations adopted by you and reviewed by Ernst & Young, we are of the opinion that the Profit Estimate, for which you as the Directors are solely responsible, has been made after due and careful enquiry and consideration.

Yours faithfully,  
For and on behalf of  
**ICBC International Capital Limited**  
**Adrian Tsang**  
*Executive Director*

Yours faithfully,  
For and on behalf of  
**Access Capital Limited**  
**Ambrose Lam**                      **Jimmy Chung**  
*Principal Director*                      *Principal Director*