

*The following is the text of a letter, summary of values and valuation certificate, prepared for the purpose of incorporation in this prospectus received from LCH (Asia-Pacific) Surveyors Limited, an independent property valuer, in connection with its valuation on our property interests as at 30 November 2009.*



利駿行測量師有限公司

**LCH (Asia-Pacific)** Surveyors Limited

PROPERTY VALUERS  
PLANT AND MACHINERY VALUERS  
BUSINESS & FINANCIAL SERVICES VALUERS

*The readers are reminded that the report which follows has been prepared in accordance with the guidelines set by the International Valuation Standards, Eighth Edition, 2007 (the "IVS") published by the International Valuation Standards Committee as well as the HKIS Valuation Standards on Properties, First Edition, 2005 (the "HKIS Standards") published by the Hong Kong Institute of Surveyors (the "HKIS"). Both standards entitle the valuer to make assumptions which may on further investigation, for instance by the readers' legal representative, prove to be inaccurate. Any exception is clearly stated below. Headings are inserted for convenient reference only and have no effect in limiting or extending the language of the paragraphs to which they refer. If additional documents and facts are made available, the valuer reserves the right to amend this report and its conclusions.*

17th Floor  
Champion Building  
287-291 Des Voeux Road Central  
Hong Kong

28 January 2010

The Directors  
Chu Kong Petroleum and Natural Gas Steel Pipe Holdings Limited  
Qinghe Road  
Shiji Town  
511450 Panyu District  
Guangzhou City  
Guangdong Province  
The PRC

Dear Sirs,

In accordance with the instructions given by the management of Chu Kong Petroleum and Natural Gas Steel Pipe Holdings Limited (hereinafter referred to as the "Company") to us to value the property interests currently held by the Company or its subsidiaries (collectively, hereinafter together with the Company referred to as the "Group") in Hong Kong and in the People's Republic of China (hereinafter referred to as "China" or the "PRC"), we confirm that we have conducted physical inspections, made relevant enquiries and obtained such further information as we consider necessary to support our opinion of values of the properties as at 30 November 2009 (hereinafter referred to as the "Date of Valuation") for the Company's internal management reference purpose and to be incorporated into a Company's circular for its shareholders' reference.

We understand that the use of our report (regardless of the format of presentation) would form part of the Company's prospectus and we have not been engaged to make specific sale or purchase recommendations. We further understand that the use of our work product will not supplant other due diligence which a rational investor should conduct in reaching business decisions regarding the properties.

**BASIS OF VALUATION AND ASSUMPTIONS**

According to the IVS, which the HKIS Standards also follows, there are two valuation bases, namely market value basis and valuation bases other than market value. Our valuations of the properties are on market value basis.

The term "Market Value" is defined by the IVS and the HKIS Standards as "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

There are three generally accepted approaches in arriving at the market value of a property on an absolute title basis, namely the Market Approach, the Cost Approach and the Income Approach.

Having considered the general and inherent characteristics of Property 1 in Group I, we have adopted the depreciated replacement cost ("DRC") approach which is an application of the Cost Approach in valuing specialised properties like this property in Group I. The use of this approach requires an estimate of the market value of the land use rights for its existing use, and an estimate of the new replacement cost of the buildings and other site works from which deductions are then made to allow for age, condition, and functional obsolescence taken into account of the site formation cost and those public utilities connection charges to the properties. The market value of the land use rights of this property has been determined from market-based evidences by analysing similar sales or offerings of comparable properties.

The valuation of this property is on the assumption that the property is subject to the test of adequate potential profitability of the business having due regard to the values of the total assets employed and the nature of the operation.

By using this approach, the land should be assumed to have the benefit of planning permission for the replacement of the existing buildings and it is always necessary when valuing the land, to have regard to the manner in which the land is developed by the existing buildings and site works, and the extent to which these realise the full potential value of the land. When considering a notional replacement site, it should normally be regarded as having the same physical and location characteristics as the actual site, other than characteristics of the actual site which are not relevant, or are of no value, to the existing use. In considering the buildings, the gross replacement cost of the buildings should take into consideration everything which is necessary to complete the construction from a new green field site to provide buildings as they are, at the date of valuation, fit for and capable of being occupied and used for the current use. These costs to be estimated are not to erect buildings in the future but have the buildings available for occupation at the date of valuation, the work having commenced at the appropriate time.

We need to state that our opinion of value of Property 1 in Group I is not necessarily intended to represent the amount that might be realised from disposition of land use rights or various buildings of the property on piece meal basis in the open market.

We are given to understand that some portions of the property are subject to various inter-company leases. However, according to the HKIS Standards, any property occupied by a company under an inter-company leasing arrangement within a group should be valued as owner-occupied property. Therefore, in our valuation, we have considered the whole property as being owner-occupied.

In valuing Properties 2 and 3 in Group I and Property 4 in Group II, we have adopted the Comparable Sales Method of the Market Approach (also called Sales Comparison Approach) on the assumption that the properties are sold with the benefit of vacant possession as at the Date of Valuation. The Comparable Sales Method considers the sales, listings or offering of similar or substitute properties and related market data and establishes a value of a property that a reasonable investor would have to pay for a similar property of comparable utility and with an absolute title.

In valuing the properties in Groups I and II, we have assumed that

1. the legally interested party in each of the properties sells the property in the market in its existing states without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any other similar arrangement which would serve to increase the value of the property;
2. the legally interested party in each of the properties has free and uninterrupted rights to use or assign the property interests for the whole of the unexpired terms as granted and any premiums payable have already been fully paid; and
3. the properties can be freely disposed and transferred free of all encumbrances at the Date of Valuation for their existing or alternative uses in the market to both local and overseas purchasers without payment of any premium to the government.

Should this not be the case, it will have adverse impact to the values as reported.

The current status of the properties in Group I regarding major approvals, consents or licences required in the PRC is set out as follows:

Property	Document/Approval		
	Enterprise Legal Person Business Licence	State-owned Land Use Rights Certificate	Building Ownership Certificate
Property 1	Yes	Yes	Yes
Property 2	Yes	Yes	Yes
Property 3	Yes	Yes	Yes

Properties in Group III are rented by the Group in the PRC and have no commercial values due mainly to the short-term nature of the tenancy agreements or prohibition against assignment or sub-letting or lack of substantial profit rent.

**MATTERS THAT MIGHT AFFECT THE VALUES REPORTED**

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions, and outgoings of an onerous nature which could affect their values.

As at the Latest Practicable Date of this prospectus, we were unable to identify any adverse news against the properties which may affect the reported values in our work product. Thus, we are not in the position to report and comment on its impact (if any) to the properties. However, should it be established subsequently that such news did exist at the Date of Valuation, we reserve the right to adjust the values reported herein.

**ESTABLISHMENT OF TITLES**

Due to the market value basis of valuation, the management of the Company provided us the necessary documents to support that the Group has free and uninterrupted rights to assign, to mortgage or to let the properties (in this instance, an absolute title) in Groups I and II free of all encumbrances and any premiums payable have already been paid in full or outstanding procedures have been completed. However, our procedures to value, as agreed with the management of the Company, did not require us to conduct legal due diligence on the legality and formality on the way that the Group obtained the properties from the relevant authorities.

For the sake of valuation, we have been provided with copies of the title document regarding the properties in Group I and copies of the tenancy agreement regarding the properties in Group III. However, we have not examined the original documents to verify the ownership and encumbrances or to ascertain the existence of any lease amendments, which may not appear on the copies handed to us. All documents disclosed (if any) are for reference only and no responsibility is assumed for any legal matters concerning the legal title and the rights (if any) to the properties valued. Any responsibility for our misinterpretation of the documents cannot be accepted. However, the inherent defects in the land registration system of China forbidden us to inspect the original documents of properties in Group I filed in the relevant authorities to verify ownership or to verify any amendment which may not appear on the copies handed to us. We need to state that we are not legal professionals and are not qualified to ascertain the titles and to report any encumbrances that may be registered against the properties. However, we have complied with the requirements as stated in Practice Note No. 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and relied solely on the copies of document provided by the Company and the copy of the PRC legal opinions as provided by the Company with regard to the existing titles of the properties. We are given to understand that the PRC legal opinions were prepared by a qualified PRC legal adviser, Jingtian & Gongcheng, dated 28 January 2010 (the "Legal Opinions"). No responsibility or liability is assumed in relation to those legal opinions.

We have caused searches to be made at the Land Registry regarding the property in Group II. We are unable to accept any responsibility for the information that contained in the search, or any liabilities against the property which were unrecorded at the time of our searches. In our valuation, we have assumed that the property is free of all encumbrances.

In our valuations, we have assumed that the legally interested parties in the properties have obtained all the approval and/or endorsement from the relevant authorities, and that there would have no legal impediment (especially from the regulators) for the legally interested parties to continue the ownership of the properties. Should this not be the case, it will affect our conclusion in this report significantly. The readers are reminded to have their own legal due diligence work on such issues. No responsibility or liability is assumed.

**INSPECTIONS AND INVESTIGATIONS OF THE PROPERTIES IN ACCORDANCE WITH VS4 OF THE HKIS STANDARDS**

We have inspected the exterior, and where possible, the interior of the properties in respect of which we have been provided with such information as we have requested for the purpose of our valuations. We have not inspected those parts of the properties which were covered, unexposed, excluded or inaccessible and such parts have been assumed to be in reasonable condition. We cannot express an opinion about or advice upon the condition of the properties and the attached valuation certificate should not be taken as making any implied representation or statement about the condition of the properties. No structural survey, investigation or examination has been made, but in the course of our inspections, we did not note any serious defects in the properties inspected. We are not, however, able to report that the properties are free from rot, infestation or any other structural defects. No tests were carried out to the services (if any) and we are unable to identify those services covered, unexposed or inaccessible.

Our valuations have been made on the assumption that no unauthorised alteration, extension or addition has been made in the properties, and that the inspection and the use of this report do not purport to be a building survey of the properties. We have assumed that the properties are free of rot and inherent danger or unsuitable materials and techniques.

If the management of the Company wants to satisfy them as to the condition of the properties, then the management of the Company should obtain a building surveyor's detailed inspection and report of their own.

We have not carried out on-site measurements to verify the correctness of the areas of the properties, but have assumed that the areas shown on the documents and handed to us are correct. All dimensions, measurements and areas are approximations.

Our engagement and the agreed procedures to value the properties did not include an independent land survey to verify the legal boundaries of the properties. We need to state that we are not in the land survey profession, therefore, we are not in the position to verify or ascertain the correctness of the legal boundaries of such properties that appeared on the documents handed to us. No responsibility from our part is assumed. The management of the Company or interested party in the properties should conduct their own legal boundaries due diligence work.

We have not arranged for any investigation to be carried out to determine whether or not any deleterious or hazardous material has been used in the construction of the properties, or has since been incorporated, and we are therefore unable to report that the properties are free from risk in this respect. For the purpose of this valuation, we have assumed that such investigation would not disclose the presence of any such material to any significant extent.

We are not aware of the content of any environmental audit or other environmental investigation or soil survey which may have been carried out on the properties and which may draw attention to any contamination or the possibility of any such contamination. In undertaking our work, we have been instructed to assume that no contaminative or potentially contaminative uses have ever been carried out in the properties. We have not carried out any investigation into past or present uses, either of the properties or of any neighbouring land, to establish whether there is any contamination or potential for contamination to the properties from these uses or sites, and have therefore assumed that none exists. However, should it be established subsequently that contamination, seepage or pollution exists at the properties or on any neighbouring land, or that the premises have been or are being put to a contaminative use, this might reduce the values now reported.

#### **SOURCES OF INFORMATION AND ITS VERIFICATION IN ACCORDANCE WITH VS5 OF THE HKIS STANDARDS**

We have relied solely on the information provided by the management of the Company or its appointed personnel without further verification and have fully accepted advice given to us on such matters as planning approvals or statutory notices, locations, titles, easements, tenure, occupation, lettings, rental, site and floor areas and all other relevant matters.

The scope of valuation has been determined by reference to the property list provided by the management of the Company. All properties on the list have been included in our valuations. The management of the Company has confirmed to us that it has no property interests other than those specified on the list supplied to us.

Unless otherwise stated, we have not carried out any valuation on a redevelopment basis and the study of possible alternative development options and the related economics do not come within the scope of our work product.

Our valuations have been made only based on the advice and information made available to us. While a limited scope of general inquiries had been made to the local property market practitioners, we are not in a position to verify and ascertain the correctness of the advice given by the relevant personnel. No responsibility or liability is assumed.

Information furnished by others, upon which all or portions of our work product are based, is believed to be reliable but has not been verified in all cases. Our procedures to value or work do not constitute an audit, review, or compilation of the information provided. Thus, no warranty is made nor liability assumed for the accuracy of any data, advice, opinions, or estimates identified as being furnished by others which have been used in formulating our work product.

When we adopted the work products from other professions, external data providers and the management of the Company in our valuations, the assumptions and caveats that adopted by them in arriving at their figures also applied in our valuations. The procedures we have taken do not provide all the evidence that would be required in an audit and, as we have not performed an audit, accordingly, we do not express an audit opinion.

To the best of our knowledge, all data set forth in the attached valuation certificate are true and accurate. Although gathered from reliable sources, no warranty is made nor liability assumed for the accuracy of any data, opinions, or estimates identified as being furnished by others which have been used in formulating the attached valuation certificate.

We are unable to accept any responsibility for the information that has not been supplied to us by the management of the Company or its appointed personnel. Also, we have sought and received confirmation from the management of the Company or its appointed personnel that no materials factors have been omitted from the information supplied. Our analysis and valuations are based upon full disclosure between us and the Company of material and latent facts that may affect the valuations.

Unless otherwise stated, all monetary amounts are in Hong Kong dollars. In valuing the properties, the adopted exchange rate was the prevailing rate as at the Date of Valuation, being HK\$1.14 per RMB1.00 and no significant fluctuation in exchange rate has been found between that date and the date of this report.

#### **LIMITING CONDITIONS OF THIS REPORT**

Our opinion of values of the properties in this report is valid only for the stated purpose and only for the Date of Valuation, and for the sole use of the named Company. We or our personnel shall not be required to give testimony or attendance in court or to any government agency by reason of this report, and the valuer accepts no responsibility whatsoever to any other person.

No responsibility is taken for changes in market conditions and local government policy and no obligation is assumed to revise the attached valuation certificate to reflect events or conditions, which occur or make known to us subsequent to the date hereof.

Neither the whole nor any part of this report or any reference made hereto may be included in any published documents, circular or statement, or published in any way, without our written approval of the form and context in which it may appear. Nonetheless, we consent to the publication of this report in this prospectus to the Company's shareholders' reference.

Our maximum liability relating to services rendered under this engagement (regardless of form of action, whether in contract, negligence or otherwise) shall be limited to the charges paid to us for the portion of its services or work products giving rise to liability. In no event shall we be liable for consequential, special, incidental or punitive loss, damage or expense (including without limitation, lost profits, opportunity costs, etc.), even if it has been advised of their possible existence.

The Company is required to indemnify and hold us and our personnel harmless from any claims, liabilities, costs and expenses (including, without limitation, attorney's fees and the time of our personnel involved) brought against, paid or incurred by us at a time and in any way based on the information made available in connection with our report except to the extent that any such losses, expenses, damages or liabilities are ultimately determined to be the result of gross negligence of our engagement team in conducting its work. This provision shall survive even after the termination of this engagement for any reason.

## STATEMENTS

The attached valuation certificate is prepared in line with the requirements contained in Chapter 5 and Practice Note No. 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as well as the guidelines contained in the HKIS Standards. The valuations have been undertaken by valuers (see Notes), acting as external valuers, qualified for the purpose of the valuation.

We retain a copy of this report together with the data from which it was prepared, and these data and documents will, according to the Laws of Hong Kong, keep for a period of 6 years from the date of this report and to be destroyed thereafter. We considered these records confidential, and we do not permit access to them by anyone, with the exception for law enforcement authorities or court order, without the Company's authorisation and prior arrangement made with us. Moreover, we will add the Company's information into our client list for our future reference.

We hereby certify that the fee for this service is not contingent upon our conclusion of values and we have no significant interest in the properties, the Company, the Group or the values reported.

Our valuations are summarised below and the valuation certificate is attached.

Yours faithfully,  
For and on behalf of

**LCH (Asia-Pacific) Surveyors Limited**

**Joseph Ho Chin Choi**

B.Sc. Pg Dip RPS (GP)

*Managing Director*

**Elsa Ng Hung Mui**

B.Sc. M.Sc. RPS (GP)

*Director*

**Contributing valuer:**

Terry Fung Chi Hang B.Sc. M.Sc.

*Notes:*

1. Mr. Joseph Ho Chin Choi has been conducting asset valuations and advisory work in Hong Kong, Macau, Taiwan, mainland China, Japan, South East Asia, Australia, Finland, Germany, Scotland, Argentina, Guyana, Canada and the United States of America for various purposes since 1988. He has more than 19 years of experience in valuing real estate properties in mainland China. He is a Member of the HKIS and a valuer on the List of Property Valuers for Undertaking Valuation for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers published by the HKIS.
2. Ms. Elsa Ng Hung Mui has been conducting valuation of real estate properties in Hong Kong since 1994 and has more than 10 years of experience in valuing properties in mainland China. At present, she is a Member of the HKIS and a valuer in the List of Property Valuers for Undertaking Valuation for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers published by the HKIS.

## SUMMARY OF VALUES

**Group I – Properties held and occupied by the Group under long-term title certificates in the PRC and valued on the basis of Market Value**

<b>Property</b>	<b>Amount of valuations in its existing state attributed to the Group as at 30 November 2009</b> <i>HK\$</i>
1. Various buildings and structures of an industrial complex located at Qinghe Road Shiji Town Panyu District Guangzhou City Guangdong Province The People's Republic of China	310,060,000 (100 per cent. interest)
2. A parcel of vacant land located at Dalong Village Shaxia Shiji Town Panyu District Guangzhou City Guangdong Province The People's Republic of China	3,760,000 (100 per cent. interest)
3. 23 various residential units in various blocks located at Qishan Zhong Road Zone 3 Shiji Town Panyu District Guangzhou City Guangdong Province The People's Republic of China	4,400,000 (100 per cent. interest)
<b>Sub-total</b>	<hr/> HK\$318,220,000 <hr/>

**Group II – Property owned and occupied by the Group in Hong Kong and valued on the basis of Market Value**

<b>Property</b>	<b>Amount of valuations in its existing state attributed to the Group as at 30 November 2009</b> <i>HK\$</i>
4. Offices A and B on the 16th Floor Wah Hing Commercial Centre No.383 Shanghai Street Kowloon Hong Kong	3,000,000 (100 per cent. interest)
<b>Sub-total:</b>	<hr/> HK\$3,000,000 <hr/>



## Group III – Properties occupied by the Group under various operating leases in the PRC

Property	Amount of valuations in its existing state attributed to the Group as at 30 November 2009 HK\$
5. Various residential units located at No.4 of No.3 Lane Shatang Street Dalong Village Shiji Town Panyu District Guangzhou City Guangdong Province The People's Republic of China	No commercial value
6. A residential unit known as No.202 No.69 Jilong Xi Road Shiji Town Panyu District Guangzhou City Guangdong Province The People's Republic of China	No commercial value
7. A residential house located at No.12 of No.4 Lane Longji Bei Road Shiji Town Panyu District Guangzhou City Guangdong Province The People's Republic of China	No commercial value
8. A workshop located at Bin Jiang Village Shen Gang Street Jiangyin City Jiangsu Province The People's Republic of China	No commercial value
	_____
<b>Sub-total:</b>	HK\$NIL
	_____
<b>Grand Total:</b>	<b>HK\$321,220,000</b>
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## VALUATION CERTIFICATE

## Group I – Properties held and occupied by the Group under long-term title certificates in the PRC and valued on the basis of Market Value

Property	Description and tenure	Particulars of occupancy	Amount of valuations in existing state attributed to the Group as at 30 November 2009 HK\$
1. Various buildings and structures of an industrial complex located at Qinghe Road Shiji Town Panyu District Guangzhou City Guangdong Province The People's Republic of China	<p>The property comprises 11 parcels of adjoining land having a total site area of approximately 461,001.40 sq.m. with 16 various major buildings and structures erected thereon.</p> <p>The major buildings and structures including various production plants, warehouses, office and other ancillary supporting facilities of single to 2-storey in height which were completed between 1994 and 2009. They have a total gross floor area of approximately 72,718.97 sq.m. (See Notes 2 and 3 below)</p> <p>The property is subject to various rights to use the lands for industrial purpose with the latest expiration date at 28 May 2053. (See Note 1 below)</p>	We have inspected and confirmed the Group that the property as at the Date of Valuation was occupied by the Group for manufacturing, ancillary office and other supporting purposes. (See Note 4 below)	310,060,000  (100% interest)

## Notes:

1. The right to possess the land is held by the State and the right to use the land has been granted by the State to Panyu Chu Kong Steel Pipe Company Limited (番禺珠江鋼管有限公司) (hereinafter referred to as "PCKSP"), a wholly-owned subsidiary of the Company, through the following ways, they are:

- (i) A parcel of land having a site area of approximately 55,199 sq.m.

According to a Contract for the Grant of State-owned Land Use Rights dated 28 August 1997, the land use rights for a parcel of land having a site area of approximately 55,199 sq.m. was granted to PCKSP for a term of 50 years for industrial usage; and

according to a State-owned Land Use Rights Certificate known as Pan Fu Guo Yong Zong Zi Di 08-01006 Hao (番府國用總字第08-01006號) or Pan Fu Guo Yong Zi (1998) Di 08-00058 Hao (番府國用字(1998)第08-00058號) issued by the People's Government of Panyu City and dated 8 June 1998, the legally interested party in the land having a site area of approximately 55,199 sq.m. is PCKSP for a term commencing from 26 August 1997 till 25 August 2047 for industrial purpose.

- (ii) A parcel of land having a site area of approximately 33,324.8 sq.m.

According to a Contract for the Grant of State-owned Land Use Rights dated 3 December 1998, the land use rights for a parcel of land having a site area of approximately 33,325 sq.m. was granted to PCKSP for a term of 50 years for industrial usage at a consideration of RMB333,250; and

according to a State-owned Land Use Rights Certificate known as Pan Fu Guo Yong (2003) Zi Di G08-000962 Hao (番府國用(2003)字第G08-000962號) issued by the People's Government of Guangzhou City Panyu District and dated 31 March 2003, the legally interested party in the land having a site area of approximately 33,324.8 sq.m. is PCKSP for a term till 3 December 2048 for industrial purpose.

- (iii) A parcel of land having a site area of approximately 33,290.9 sq.m.

According to a Contract for the Grant of State-owned Land Use Rights dated 26 October 1998, the land use rights for a parcel of land having a site area of approximately 33,290 sq.m. was granted to PCKSP for a term of 50 years for industrial usage at a consideration of RMB332,900; and

according to a State-owned Land Use Rights Certificate known as Pan Fu Guo Yong (2003) Zi Di G08-000963 Hao (番府國用(2003)字第G08-000963號) issued by the People's Government of Guangzhou City Panyu District and dated 31 March 2003, the legally interested party in the land having a site area of approximately 33,290.9 sq.m. is PCKSP for a term till 26 October 2048 for industrial purpose.

- (iv) Two parcels of land having a total site area of approximately 54,181.6 sq.m.

According to a Contract for the Grant of State-owned Land Use Rights dated 2 December 1998, the land use rights for a parcel of land having a site area of approximately 54,181 sq.m. was granted to PCKSP for a term of 50 years for industrial usage at a consideration of RMB541,810; and

according to a State-owned Land Use Rights Certificate known as Pan Fu Guo Yong (2003) Zi Di G08-000964 Hao (番禺國用(2003)字第G08-000964號) issued by the People's Government of Guangzhou City Panyu District and dated 31 March 2003, the legally interested party in the land having a site area of approximately 20,873.3 sq.m. is PCKSP for a term till 3 December 2048 for industrial purpose.

according to a State-owned Land Use Rights Certificate known as Pan Fu Guo Yong (2003) Zi Di G08-000965 Hao (番禺國用(2003)字第G08-000965號) issued by the People's Government of Guangzhou City Panyu District and dated 31 March 2003, the legally interested party in the land having a site area of approximately 33,308.3 sq.m. is PCKSP for a term till 3 December 2048 for industrial purpose.

- (v) Two parcels of land having a total site area of approximately 65,378 sq.m.

According to a Contract for the Grant of State-owned Land Use Rights dated 3 December 1998, the land use rights for a parcel of land having a site area of approximately 65,378 sq.m. was granted to PCKSP for a term of 50 years for industrial usage at a consideration of RMB653,780.

According to a State-owned Land Use Rights Certificate known as Pan Fu Guo Yong (2003) Zi Di G08-000966 Hao (番禺國用(2003)字第G08-000966號) issued by the People's Government of Guangzhou City Panyu District and dated 31 March 2003, the legally interested party in the land having a site area of approximately 54,604.2 sq.m. is PCKSP for a term till 3 December 2048 for industrial purpose.

according to a State-owned Land Use Rights Certificate known as Pan Fu Guo Yong (2003) Zi Di G08-000967 Hao (番禺國用(2003)字第G08-000967號) issued by the People's Government of Guangzhou City Panyu District and dated 31 March 2003, the legally interested party in the land having a site area of approximately 10,773.8 sq.m. is PCKSP for a term till 3 December 2048 for industrial purpose.

- (vi) A parcel of land having a site area of approximately 45,824.1 sq.m.

According to a Contract for the Grant of State-owned Land Use Rights dated 15 December 1998, the land use rights for a parcel of land having a site area of approximately 45,824 sq.m. was granted to PCKSP for a term of 50 years for industrial usage at a consideration of RMB458,240; and

according to a State-owned Land Use Rights Certificate known as G08-001129 issued by the People's Government of Guangzhou City and dated 25 June 2003, the legally interested party in the land having a site area of approximately 45,824.1 sq.m. is PCKSP for a term till 28 May 2053 for industrial purpose.

- (vii) A parcel of land having a site area of approximately 60,566 sq.m.

According to a Contract for the Grant of State-owned Land Use Rights dated 15 December 1998, the land use rights for a parcel of land having a site area of approximately 50,004 sq.m. was granted to PCKSP for a term of 50 years for industrial usage at a consideration of RMB500,040; and

according to a State-owned Land Use Rights Certificate known as G08-001130 issued by the People's Government of Guangzhou City and dated 25 June 2003, the legally interested party in the land having a site area of approximately 60,566 sq.m. is PCKSP for a term till 27 May 2053 for industrial purpose. According to the certificate, the land area includes a reserve land area of 10,362 sq.m. for public road.

- (viii) A parcel of land having a site area of approximately 57,897 sq.m.

According to a Contract for the Grant of State-owned Land Use Rights dated 15 December 1998, the land use rights for a parcel of land having a site area of approximately 57,897 sq.m. was granted to PCKSP for a term of 50 years for industrial usage at a consideration of RMB578,970; and

according to a State-owned Land Use Rights Certificate known as G08-001131 issued by the People's Government of Guangzhou City and dated 25 June 2003, the legally interested party in the land having a site area of approximately 57,897 sq.m. is PCKSP for a term till 27 May 2053 for industrial purpose.

- (ix) A parcel of land having a site area of approximately 55,340 sq.m.

According to a Contract for the Grant of State-owned Land Use Rights dated 15 December 1998, the land use rights for a parcel of land having a site area of approximately 55,340 sq.m. was granted to PCKSP for a term of 50 years for industrial usage at a consideration of RMB553,400; and

according to a State-owned Land Use Rights Certificate known as G08-001132 issued by the People's Government of Guangzhou City and dated 25 June 2003, the legally interested party in the land having a site area of approximately 55,340 sq.m. is PCKSP for a term till 27 May 2053 for industrial purpose.

2. According to 6 various Building Ownership Certificates known as Yue Fang Di Zheng Zi Di 0915865, 0915866, 0915867, 0915868 and 0915869 Hao which were issued by the People's Government of Panyu City, and Yue Fang Di Zheng Zi Di C2030798 Hao which was issued by the Land Resources and Housing Management of Guangzhou City dated 12 March 2004, the legally interested party in the following buildings having a total gross floor area of approximately 45,416.97 sq.m. is PCKSP. The area breakdowns for each of the major buildings covered by the certificates are listed as follows:

	<b>Gross Floor Area</b> (sq.m.)
(i) a single storey welding workshop	18,000.00
(ii) a single storey air compressor workshop	95.94
(iii) a single storey power distribution workshop	332.69
(iv) a single storey water pump workshop	96.99
(v) a 2-storey composite building	2,745.65
(vi) a single storey UOE workshop	24,145.70
	<hr/>
Total	45,416.97
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3. According to our on-site inspection, 10 various supporting buildings and structures without any Realty Title Certificate but have a total gross floor area of approximately 27,302 sq.m. were erected on the land. They are listed as follows:

	<b>Gross Floor Area</b> (sq.m.)
(i) a single storey backup workshop	15,000.00
(ii) a single storey old anti-corrosive workshop	3,700.00
(iii) a single storey guardhouse	33.00
(iv) a single storey training room	64.00
(v) a single storey ERW ancillary workshop	940.00
(vi) a single storey RBE workshop	5,530.00
(vii) a single storey weighing room	18.00
(viii) a single storey laboratory	393.00
(ix) a single storey canteen	1,464.00
(x) a single storey activity room and storage	160.00
	<hr/>
Total	27,302.00
	<hr/> <hr/>

4. Pursuant to a document issued by 廣州市番禺區建設工程招標管理辦公室 (translated as Guangzhou Panyu District Construction Project Bidding Management Office) dated 9 June 2009, PCKSP was permitted to erect a workshop having a gross floor area of approximately 9,993.60 sq.m. According to the information provided by the management of the Company, the proposed buildings and structures would be erected on the land as mentioned in Note 1 above.

According to the information provided by the management of the Company, the cost incurred of this construction in progress item was approximately RMB4,675,763.42 as at the Date of Valuation. In our valuation, this construction in progress item was reported at cost spent as at the Date of Valuation.

5. We are given to understand that some portions of the property is subject to 5 various inter-company leases. The leases were dated at either 10 January 2008, 10 April 2008 or 20 July 2008 with the latest term till 31 May 2013 for a total gross floor area of approximately 28,300 sq.m. for industrial purpose with a total monthly rental of RMB56,815.

Pursuant to 4 various documents named 變更房屋租賃合同申請表 (translated as Application Form of Amendment of Real Estate Tenancy Agreement) with registration of the Pan Yu Sub-bureau of Land Resources & Housing Management of Guangzhou City (廣州市國土資源和房屋管理局番禺區分局) all dated 25 September 2009, the various lease terms of the above tenancy agreements were changed to a new term commencing from 1 September 2009 to 1 September 2012 with rental unchanged.

According to the information provided by the Company, the property was subject to the following tenancy agreements as at the Date of Valuation:

	Area (sq.m.)	Name of Tenant (Note)	Monthly Rental (RMB)	Lease Term
(i)	1,800.00	廣州珍珠河石油套管有限公司 (Guangzhou Pearl River OCTG Co., Ltd.)	2,500.00	1 September 2009 to 1 September 2012
(ii)	2,500.00	廣州珍珠河石油鋼管有限公司 (Guangzhou Pearl River Petroleum Steel Pipe Co., Ltd.)	2,800.00	1 September 2009 to 1 September 2012
(iii)	12,000.00	廣州珍珠河石油鋼管防腐有限公司 (Guangzhou Pearl River Petroleum Steel Pipe Coating Co., Ltd.)	11,000.00	1 September 2009 to 1 September 2012
(iv)	3,000.00	廣州珍珠河石化管件有限公司 (Guangzhou Pearl River Petro-Fittings Co., Ltd.)	3,400.00	1 September 2009 to 1 September 2012
(v)	9,000.00	廣州珍珠河石油鋼管有限公司 (Guangzhou Pearl River Petroleum Steel Pipe Co., Ltd.)	37,115.00	1 June 2008 to 31 May 2013

However, according to the HKIS Standards, any property occupied by a company under an inter-company leasing agreement within a group should be valued as owner-occupied property. Therefore, in our valuation, we have considered the whole property as being owner-occupied.

6. According to the Legal Opinions as prepared by the Group's PRC legal adviser, Jingtian & Gongcheng, the following opinions are noted:
- (i) PCKSP is a limited liability company incorporated in China with a valid Enterprise Legal Person Business License;
  - (ii) PCKSP has obtained the right to use of the property and is the only legally interested party in the property. Based on that and, subject to the relevant State-owned Land Use Rights Certificates, PCKSP has the right to occupy, use, lease, transfer or mortgage the property;
  - (iii) Regarding a parcel of land having a site area of 10,362 sq.m. covered by the State-owned Land Use Rights Certificate as mentioned in Note 1 (vii) above, PCKSP has the rights to use this portion of land which is reserved for public road purpose. However, PCKSP does not have the right to erect any permanent structure thereon. PCKSP shall surrender this portion of land at nil compensation if the government resumed the land for the purpose of public road extension to cope with future need and town planning requirement. During the land use term, PCKSP has the rights to use this portion of land and, subject to relevant government's approval, it can assign, lease or mortgage this portion of land;
  - (iv) Save as the portion of land as mentioned in Note 6 (iii) above, the property is subject to a mortgage. During the mortgage period, subject to the prior approval from the bank, the mortgagor is allowed to sell, present, move, lease, transfer, exchange, re-mortgage, or in any form to transfer the property under the mortgage. During the mortgage period, PCKSP still has the right to occupy and use the property; and
  - (v) For buildings and structures without any Building Ownership Certificate as mentioned in Note 3 above, PCKSP might be ordered by the Construction Department of Panyu District of Guangzhou City to rectify and to pay penalty between 2% and 4% of the construction contract sum, prior to PCKSP obtaining the relevant certificate. PCKSP is in the process of applying for the respective Building Ownership Certificates. Upon the Company obtained the relevant Building Ownership Certificates, PCKSP has the right to occupy, use, lease, mortgage and assign the buildings and structures.
7. With reference to the PRC legal opinion as mentioned in Note 6 (v) above, and as advised by the management of the Company, the amount of maximum penalty is estimated to be in the region of RMB400,000.

Property	Description and tenure	Particulars of occupancy	Amount of valuations in existing state attributed to the Group as at 30 November 2009 HK\$
2. A parcel of vacant land located at Dalong Village Shaxia Shiji Town Panyu District Guangzhou City Guangdong Province The People's Republic of China	<p>The property comprises a parcel of vacant land having a site area of approximately 9,103.3 sq.m. (13.669 Chinese Mu).</p> <p>The property is subject to a right to use the land till 24 March 2049 for industrial purpose. (See Note 1 below)</p>	We have inspected and confirmed by the Group that, as at the Date of Valuation, the property was vacant.	3,760,000  (100% interest)

## Notes:

1. The right to possess the land is held by the State and the right to use the land has been granted by the State to Panyu Chu Kong Steel Pipe Company Limited (番禺珠江鋼管有限公司) (hereinafter referred to as "PCKSP"), a wholly-owned subsidiary of the Company, through the following ways, they are:
  - (i) According to a Contract for the Grant of State-owned Land Use Rights dated December 1998, the land use rights for a parcel of land having a site area of approximately 9,103 sq.m. was granted to PCKSP for industrial usage for a term of 50 years at a consideration of RMB2,275,825; and
  - (ii) according to a State-owned Land Use Rights Certificate known as Pan Guo Yong (2000) Zi Di G08-000055 Hao (番國用(2000)字第G08-000055號) issued by the People's Government of Guangzhou City Panyu District and dated 22 December 2000, the legally interested party in the land having a site area of approximately 9,103.3 sq.m. is PCKSP for a term till 24 March 2049 for industrial purpose.
2. According to the Legal Opinions as prepared by the Group's PRC legal adviser, Jingtian & Gongcheng, the following opinions are noted:
  - (i) PCKSP is a limited liability company incorporated in China with a valid Enterprise Legal Person Business License; and
  - (ii) PCKSP has obtained the right to use of the property and is the only legally interested party in the property. Based on that and, subject to the relevant State-owned Land Use Rights Certificates, PCKSP has the right to occupy, use, lease, transfer and mortgage the property.

Property	Description and tenure	Particulars of occupancy	Amount of valuations in existing state attributed to the Group as at 30 November 2009 HK\$
3.	<p>23 various residential units in various blocks located at Qishan Zhong Road Zone 3, Shiji Town Panyu District Guangzhou City Guangdong Province The People's Republic of China</p> <p>The property comprises 23 various residential units in various 7-storey residential buildings which were completed in around 1998.</p> <p>The property has a total gross floor area of approximately 1,230.8 sq.m.</p> <p>The property is subject to a right to use the land for a term commencing from 18 April 1995 till 18 April 2065 for residential purpose.</p>	<p>We have inspected the exterior of the property and confirmed by the Group that, as at the Date of Valuation, the property was occupied by the Group as staff quarters purpose.</p>	<p>4,400,000</p> <p>(100% interest)</p>

**Notes:**

1. Pursuant to 23 various Sales and Purchase Agreements all dated 8 December 1997 and signed between 番禺市石碁房地產開發公司 (translated as Panyu Shiji Town Real Estate Development Company) and Panyu Chu Kong Steel Pipes Company Limited (hereinafter referred to as "PCKSP"), a wholly-owned subsidiary of the Company, the legally interested party in the property is PCKSP for residential purpose at a total consideration of RMB980,768.
2. Pursuant to 23 various Realty Title Certificates issued by the People's Government of Panyu City and dated at various dates, the legally interested party in the property is PCKSP. According to the Certificates, the property has a total gross floor area of approximately 1,230.8 sq.m.
3. According to the Legal Opinions as prepared by the Group's PRC legal adviser, Jingtian & Gongcheng, the following opinions are noted:
  - (i) PCKSP is a limited liability company incorporated in China with a valid Enterprise Legal Person Business License; and
  - (ii) PCKSP has obtained the right to use of the property and is the only legally interested party in the property. Based on that and, subject to the relevant Realty Title Certificates, PCKSP has the right to occupy, use, lease, transfer and mortgage the property.

**Group II – Property owned and occupied by the Group in Hong Kong and valued on the basis of Market Value**

Property	Description and tenure	Particulars of occupancy	Amount of valuations in existing state attributed to the Group as at 30 November 2009 HK\$
4.	Offices A and B on the 16th Floor Wah Hing Commercial Centre No.383 Shanghai Street Kowloon Hong Kong	The property comprises two office units on 16th Floor of a 22-storey office building which was completed in 1988.  The gross floor areas of Office A and Office B are approximately 488 sq.ft. (45.34 sq.m.) and 837 sq.ft. (77.76 sq.m.), respectively.	3,000,000  (100% interest)
	6/181th shares of and in the Remaining Portion of Kowloon Inland Lot No.1098, The Remaining Portion of Kowloon Inland Lot No.1844 and The Remaining Portion of Section A of Kowloon Inland Lot No.1844 (the "Lot")	The Lot is held under Government leases for a term of 75 years and renewable for 75 years commencing from 9 July 1900.  The government rent payable for the property is HK\$2,512.	

*Notes:*

1. Office A on 16th Floor

The registered owner of the property is Crown Central Holdings Limited, an indirect wholly-owned subsidiary of the Company vide Assignment dated 12 November 2007 and registered in the Land Registry by Memorial No. 07121100740091 on 11 December 2007 at a consideration of HK\$1,130,000.

2. Office B on 16th Floor

The registered owner of the property is Crown Central Holdings Limited vide Assignment dated 10 April 1996 and registered in the Land Registry by Memorial No. UB6635237 at a consideration of HK\$3,380,000.



## Group III – Properties occupied by the Group under various operating leases in the PRC

Property	Description and occupancy	Amount of valuations in existing state attributed to the Group as at 30 November 2009 HK\$
5. Various residential units located at No.4 of No.3 Lane Shatang Street Dalong Village Shiji Town Panyu District Guangzhou City Guangdong Province The People's Republic of China	<p>The property comprises various residential units on Levels 1 to 5 of a 6-storey residential building having a total gross floor area of approximately 150.00 sq.m. It was completed in around 2003.</p> <p>The property is leased to the Group for a term commencing from 1 January 2009 to 31 December 2011 at a monthly rental of RMB5,100.</p> <p>We have inspected and confirmed by the Group that, as at the Date of Valuation, the property was occupied by the Group for staff quarters purpose.</p>	No Commercial Value

*Notes:*

1. Pursuant to a tenancy agreements signed between 曾艷坤 (translated as Zeng Yan Kun and hereinafter referred to as "lessor"), an independent third party of the Group, and Panyu Chu Kong Steel Pipes Company Limited (番禺珠江鋼管有限公司) (hereinafter referred to as "PCKSP") dated 1 April 2008, the property is leased to PCKSP for a term commencing from 1 April 2008 to 31 December 2008 at a monthly rental of RMB5,100.

Pursuant to a document named 變更房屋租賃合同申請表 (translated as Application Form of Amendment of Real Estate Tenancy Agreement) with registration of the Pan Yu Sub-bureau of Land Resources & Housing Management of Guangzhou Municipality dated 17 April 2009, the lease term of the above tenancy agreement was changed to a new term commencing from 1 January 2009 to 31 December 2011.

2. According to the Legal Opinions as prepared by the Group's PRC legal adviser, Jingtian & Gongcheng, the following opinions are noted:
  - (i) The lessor obtained a Realty Title Certificate for the property. The lessor has the right to lease the property and no need to seek permission and approval from any other third party; and
  - (ii) the tenancy agreement which has been registered in the relevant department is legal and binding. The rights of PCKSP to use the property is protected under the relevant laws and regulations in the PRC.

Property	Description and occupancy	Amount of valuations in existing state attributed to the Group as at 30 November 2009 HK\$
6. A residential unit known as No. 202 No.69 Jilong Xi Road Shiji Town Panyu District Guangzhou City Guangdong Province The People's Republic of China	<p>The property comprises a residential unit on Level 2 of a 5-storey residential building having a total gross floor area of approximately 50.00 sq.m. It was completed in late 1990's.</p> <p>The property is leased to the Group for a term commencing from 1 January 2009 to 31 December 2011 at a monthly rental of RMB650.</p> <p>We have inspected and confirmed by the Group that, as at the Date of Valuation, the property was occupied by the Group for staff quarters purpose.</p>	No Commercial Value

*Notes:*

1. Pursuant to a tenancy agreement signed between 馮淑宜 (translated as Feng Shu Yi and hereinafter referred as "lessor"), an independent third party of the Group, and Panyu Chu Kong Steel Pipes Company Limited (hereinafter referred to as "PCKSP") dated 30 June 2007, the property is leased to PCKSP for a term commencing from 1 July 2007 to 31 December 2008 at a monthly rental of RMB650.

Pursuant to a document named 變更房屋租賃合同申請表 (translated as Application Form of Amendment of Real Estate Tenancy Agreement) with registration of the Pan Yu Sub-bureau of Land Resources & Housing Management of Guangzhou Municipality dated 17 April 2009, the lease term of the above tenancy agreement was changed to a new term commencing from 1 January 2009 to 31 December 2011.

2. According to the Legal Opinions as prepared by the Group's PRC legal adviser, Jingtian & Gongcheng, the following opinions are noted:
  - (i) The lessor obtained a Realty Title Certificate for the property. The lessor has the right to lease the property and no need to seek permission and approval from any other third party; and
  - (ii) the tenancy agreement which has been registered in the relevant department is legal and binding. The rights of PCKSP to use the property is protected under the relevant laws and regulations in the PRC.

Property	Description and occupancy	Amount of valuations in existing state attributed to the Group as at 30 November 2009 HK\$
7. A residential house located at No.12 of No.4 Lane Longji Bei Road Shiji Town Panyu District Guangzhou City Guangdong Province The People's Republic of China	<p>The property comprises a 3-storey residential house having a total gross floor area of approximately 60.00 sq.m. It was completed in around 2003.</p> <p>The property is leased to the Group for a term commencing from 1 January 2009 to 31 December 2011 at a monthly rental of RMB850.</p> <p>We have inspected and confirmed by the Group that, as at the Date of Valuation, the property was occupied by the Group for staff quarters purpose.</p>	No Commercial Value

*Notes:*

1. Pursuant to a tenancy agreement signed between 蘇格成 (translated as Su Ge Cheng and hereinafter referred to as "lessor"), an independent third party of the Group, and Panyu Chu Kong Steel Pipes Company Limited (番禺珠江鋼管有限公司) (hereinafter referred to as "PCKSP") dated 30 June 2007, the property is leased to PCKSP for a term commencing from 1 July 2007 to 31 December 2008 at a monthly rental of RMB850.

Pursuant to a document named 變更房屋租賃合同申請表 (translated as Application Form of Amendment of Real Estate Tenancy Agreement) with registration of the Pan Yu Sub-bureau of Land Resources & Housing Management of Guangzhou Municipality dated 17 April 2009, the lease term of the above tenancy agreement was changed to a new term commencing from 1 January 2009 to 31 December 2011.

2. According to the Legal Opinions as prepared by the Group's PRC legal adviser, Jingtian & Gongcheng, the following opinions are noted:
  - (i) The lessor obtained a Realty Title Certificate for the property. The lessor has the right to lease the property and no need to seek permission and approval from any other third party; and
  - (ii) the tenancy agreement which has been registered in the relevant department is legal and binding. The rights of PCKSP to use the property is protected under the relevant laws and regulations in the PRC.

Property	Description and occupancy	Amount of valuations in existing state attributed to the Group as at 30 November 2009 HK\$
8. A workshop located at Bin Jiang Village Shen Gang Street Jiangyin City Jiangsu Province The People's Republic of China	<p>The property comprises a workshop and having a total gross floor area of approximately 19,079.81 sq.m. It was completed in around 2000's.</p> <p>The property is leased to the Group for a term commencing from 1 January 2009 to 31 December 2013 at an annual rental of RMB100 per sq.m., with the first right to renew the lease upon expiry and the first right to purchase the property should the lessor propose to sell the property during the lease term.</p> <p>We have inspected and confirmed by the Group that the property as at the Date of Valuation was vacant.</p>	No Commercial Value

**Notes:**

1. Pursuant to a tenancy agreement signed between 江陰泓聯鍍鋅鋼板有限公司 (translated as Jiangyin Honglian Galvanizing Stripe Co., Ltd. and hereinafter referred to as "Jiangyin Honglian"), an independent third party of the Group, and Guangzhou Pearl River Petroleum Steel Pipe Co., Ltd. dated 31 December 2008, the property is leased to Guangzhou Pearl River Petroleum Steel Pipe Co., Ltd for a term commencing from 1 January 2009 to 31 December 2013 at an annual rental of RMB100 per sq.m., with a rent free period till 30 October 2009.
2. According to the Legal Opinions as prepared by the Group's PRC legal adviser, Jingtian & Gongcheng, the following opinions are noted:
  - (i) Jiangyin Honglian obtained a Realty Title Certificate for the property. Jiangyin Honglian has the right to lease the property and no need to seek permission and approval from any other third party;
  - (ii) the tenancy agreement which has been registered in the relevant department is legal and binding. The rights of Guangzhou Pearl River Petroleum Steel Pipe Co., Ltd. to use the property is protected under the relevant laws and regulations in the PRC;
  - (iii) pursuant to a transfer agreement entered between Jiangyin Honglian and 江陰泓華彩鋼板有限公司 (translated as Jiangyin Honghua Colour-coated Steel Stripe Co., Ltd.) and Panyu Chu Kong Steel Pipe Company Limited (hereinafter referred to as "PCKSP") dated 11 December 2009, a parcel of land having a site area of 41,502.4 sq.m. with a Land Use Right Certificate known as Cheng Guo Young (2004) Di 008979 Hao (澄國用(2004)第008978號), and a workshop having a gross floor area of 19,079.81 sq.m. (i.e. the property) with a Building Ownership Certificate known as Fang Quan Zheng Cheng Zi Di fsg0002352 Hao (房權證澄字第fsg0002352號) were transferred to PCKSP at a consideration of RMB40,350,000. According to the confirmation of the Company, the change of legal title of the property is in progress; and
  - (iv) once PCKSP obtained the legal title of the property, it will become the only legally interest party in the property. Based on that and, subject to the relevant State-owned Land Use Rights Certificate, PCKSP has the right to occupy, use, lease, mortgage or transfer the property.