Chu Kong Petroleum and Natural Gas Steel Pipe Holdings Limited

珠江石油天然氣鋼管控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code: 1938

Global Offering

Joint Global Coordinators,
Joint Bookrunners and Joint Lead Managers

工銀國際 ICBC INTERNATIONAL

J.P.Morgan

Joint Sponsors

工銀國際 ICBC INTERNATIONAL

Access Capital

IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.

PCK

CHU KONG PETROLEUM AND NATURAL GAS STEEL PIPE HOLDINGS LIMITED
珠江石油天然氣鋼管控股有限公司

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING
BY WAY OF INTERNATIONAL PLACING AND HONG KONG PUBLIC OFFERING

Number of Offer Shares under the Global Offering	:	**300,000,000 Shares (subject to the Over-allotment Option)**
Number of International Placing Shares	:	**220,000,000 New Shares and 50,000,000 Sale Shares (subject to re-allocation and the Over-allotment Option)**
Number of Hong Kong Offer Shares	:	**30,000,000 New Shares (subject to re-allocation)**
Offer Price	:	**Not more than HK$6.15 per Offer Share (plus brokerage of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005%, payable in full upon application in Hong Kong dollars and subject to refund) and expected to be not less than HK$4.50 per Offer Share**
Nominal value	:	**HK$0.10 per Share**
Stock code	:	**1938**

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Hong Kong Exchanges and Clearing Limited, the Stock Exchange and HKSCC take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, together with the documents specified under the paragraph under "Documents delivered to the Registrar of Companies in Hong Kong and available for inspection" in Appendix VII to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies Ordinance. The SFC and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be determined by agreement between our Company (for ourselves and on behalf of the Selling Shareholder) and the Joint Global Coordinators (on behalf of the Underwriters) on the Price Determination Date. The Price Determination Date is expected to be on or around Tuesday, 2 February 2010 and, in any event, not later than Monday, 8 February 2010. The Offer Price will not be more than HK$6.15 per Offer Share and is currently expected to be not less than HK$4.50 per Offer Share unless otherwise announced. Applicants for the Hong Kong Offer Shares are required to pay, upon application and subject to refund, the indicative maximum Offer Price of HK$6.15 per Offer Share, together with brokerage of 1%, the transaction levy of 0.004% imposed by the SFC and the Stock Exchange trading fee of 0.005%.

The Joint Global Coordinators (on behalf of the Underwriters) may, with our consent, reduce the indicative Offer Price range stated in this prospectus and/or reduce the number of Offer Shares being offered pursuant to the Global Offering at any time on or prior to the morning of the day for the Application Lists open and close. In such a case, notices of reduction of the indicative Offer Price range and/or the number of Offer Shares will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese), and on our website at www.pck.com.cn and the website of the Stock Exchange at www.hkex.com.hk not later than the morning of the day for the Application Lists open and close. If applications for the Hong Kong Offer Shares have been submitted prior to such day, then even if the indicative Offer Price range and/or the number of Offer Shares is so reduced, such applications cannot be withdrawn.

If, for whatever reason, our Company (for ourselves and on behalf of the Selling Shareholder) and the Joint Global Coordinators (on behalf of the Underwriters) are not able to agree on the final Offer Price on or before the Price Determination Date, the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse.

The Offer Shares have not been and will not be registered under the US Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States, except that the Offer Shares may be offered, sold or delivered (i) within the United States in reliance on an exemption from registration under the US Securities Act provided by, and in accordance with the restrictions of, Rule 144A under the US Securities Act or another exemption from registration under the US Securities Act; and (ii) in offshore transactions outside the United States in reliance on Regulation S under the US Securities Act.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in the section headed "Risk factors" in this prospectus.

Prospective investors of the Hong Kong Offer Shares should note that the Hong Kong Offer Underwriters are entitled to terminate their obligations under the Hong Kong Underwriting Agreement by notice in writing to be given by the Joint Global Coordinators (on behalf of the Hong Kong Offer Underwriters) upon the occurrence of any of the events set forth under the paragraph headed "Grounds for termination" in the section headed "Underwriting" in this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the scheduled Listing Date. Further details of the terms of the termination provisions are set out under the paragraph headed "Grounds for termination" in the section headed "Underwriting" in this prospectus. Prospective investors should carefully refer to that section for further details.

28 January 2010

EXPECTED TIMETABLE

We will issue an announcement in Hong Kong to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese), and on our website at www.pck.com.cn and the website of the Stock Exchange at www.hkex.com.hk if there is any change in the following expected timetable of the Hong Kong Public Offering.

	2010 *(Note 1)*
Application Lists open *(Note 2)*	11:45 a.m. on Tuesday, 2 February
Latest time to lodge **WHITE** and **YELLOW** Application Forms *(Note 2)*	12:00 noon on Tuesday, 2 February
Latest time to give **Electronic Application Instructions** to HKSCC *(Notes 2 and 3)*	12:00 noon on Tuesday, 2 February
Application Lists close *(Note 2)*	12:00 noon on Tuesday, 2 February
Expected Price Determination Date *(Note 4)*	Tuesday, 2 February
Announcement of the final Offer Price, the level of indication of interests in the International Placing, the results of applications in the Hong Kong Public Offering, the basis of allotment of and results of allocations of the Hong Kong Offer Shares to be published (a) on our website (www.pck.com.cn); and (b) on the Stock Exchange's website (www.hkex.com.hk) on or before	Tuesday, 9 February
Results of application (with successful applicants' identification document numbers or Hong Kong business registration numbers) under the Hong Kong Public Offering will be available through a variety of channels as described in the section headed "How to apply for the Hong Kong Offer Shares" in this prospectus from	Tuesday, 9 February
Despatch of refund cheques in respect of wholly successful (if applicable) and wholly or partially unsuccessful applications under the Hong Kong Public Offering on or before *(Notes 5 and 6)*	Tuesday, 9 February
Despatch of share certificates of the Offer Shares or deposit of share certificates of the Offer Shares into CCASS in respect of wholly or partially successful applications under the Hong Kong Public Offering on or before *(Note 6)*	Tuesday, 9 February
Dealings in the Shares on the Main Board to commence on	Wednesday, 10 February

Notes:

1. Unless otherwise stated, all times and dates refer to Hong Kong local times and dates.

2. If there is a "**Black**" rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 2 February 2010, the Application Lists will not open and close on that day. Further information is set out under the paragraph headed "Effect of bad weather on the opening of the Application Lists" in the section headed "How to apply for the Hong Kong Offer Shares" in this prospectus.

3. Applicants who apply for the Hong Kong Offer Shares by giving **Electronic Application Instructions** should refer to the paragraph headed "Applications by giving Electronic Application Instructions" in the section headed "How to apply for the Hong Kong Offer Shares" in this prospectus.

4. The Price Determination Date is expected to be on or around Tuesday, 2 February 2010 and, in any event, not later than Monday, 8 February 2010. If, for any reason, our Company (for ourselves and on behalf of the Selling Shareholder) and the Joint Global Coordinators (on behalf of all the Underwriters) are unable to reach an agreement on the final Offer Price, the Global Offering will not proceed and will lapse.

5. Part of the Hong Kong identity card number/passport number of an applicant or, if there are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by the respective applicant may be printed on the refund cheque (if any). Such data would also be transferred to a third party for refund purpose. The banker of the respective applicant may require verification of his/her Hong Kong identity card number/passport number before encashment of the refund cheque. Inaccurate completion of Hong Kong identity card number/passport number may lead to delay in encashment of or may invalidate the refund cheque.

6. If an applicant is using a **WHITE** Application Form to apply for 1,000,000 Hong Kong Offer Shares or more and has indicated on the **WHITE** Application Form to collect our share certificate and/or refund cheque (if any) in person, such share certificate and/or refund cheque may be collected in person from our Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong, between 9:00 a.m. and 1:00 p.m. on Tuesday, 9 February 2010 or on the date notified by our Company as the date of despatch of our share certificates and refund cheques.

   Individual applicants who opt for collection in person must not authorise any other person to make their collection on their behalf. Corporate applicants who opt for collection in person must attend by their authorised representatives bearing letters of authorisation from the corporations stamped with the corporations' chops. Both individuals and authorised representatives, as the case may be, must produce at the time of collection evidence of identity acceptable to our Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong. If an applicant has opted for collection in person but does not collect our share certificate and/or refund cheque (if any) by 1:00 p.m. on Tuesday, 9 February 2010, our share certificate and/or refund cheque (if any) will be sent to the address as appeared on the relevant Application Form in the afternoon on the date of despatch by ordinary post at the applicant's own risk.

   If an applicant has applied for less than 1,000,000 Hong Kong Offer Shares or has applied for 1,000,000 Hong Kong Offer Shares or more and has not indicated on the relevant Application Form that our share certificate and/or refund cheque (if any) will be collected in person, then our share certificate and/or refund cheque (if any) will be sent to the address as appeared on the relevant Application Form on the date of despatch by ordinary post at the applicant's own risk.

   If an applicant is using a **YELLOW** Application Form or giving **Electronic Application Instructions**, the relevant arrangements are set forth under the paragraph headed "Despatch/collection of share certificates and refund of application money" in the section headed "How to apply for the Hong Kong Offer Shares" in this prospectus.

Share certificates for the Offer Shares will only become valid certificates of title at 8:00 a.m. (Hong Kong time) on the Listing Date provided that (i) the Global Offering has become unconditional; and (ii) the right of termination as described under the paragraph headed "Grounds for termination" in the section headed "Underwriting" in this prospectus has not been exercised and has lapsed.

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You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. The Offer Shares are offered for subscription or purchase solely on the basis of the information contained and the representations made in this prospectus. Neither our Company nor the Selling Shareholder has authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not contained in this prospectus or the Application Forms must not be relied on by you as having been authorised by our Company, the Selling Shareholder, the Joint Sponsors, the Joint Global Coordinators, the Joint Lead Managers of the Hong Kong Public Offering, the Joint Lead Mangers of the International Placing, any of the Underwriters, any of their respective directors, officers, employees, agents, representatives or affiliates, or any other person or party involved in the Global Offering.

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This summary aims to give you an overview of the information contained in this prospectus and should be read in conjunction with the full text of this prospectus. As the following is only a summary, it does not contain all the information that may be important to you. You should read the prospectus in its entirety before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk factors" in this prospectus. You should read that section carefully before making any decision to invest in the Offer Shares.

Various expressions used in this summary are defined in the sections headed "Definitions" and "Glossary of technical terms" in this prospectus.

OVERVIEW

We were the largest steel pipe manufacturer in the PRC in terms of production volume of longitudinal submerged arc welded steel pipes which are formed utilising submerged arc welding technology ("**LSAW steel pipes**") in each of the three years ended 31 December 2009 as confirmed by CSPA and we are a forerunner in terms of the manufacture of LSAW steel pipes in the PRC as, according to CSPA and TGRC, our continuous axis contorting (J-shape, C-shape and O-shape forming) process ("**JCOE**") production line located in Panyu, Guangdong Province, the PRC was the first LSAW steel pipes production line in the PRC and our U-shape and O-shape forming processes ("**UOE**") production line was also the first LSAW steel pipes production line using UOE production method in the PRC. Moreover, we are also capable of producing LSAW steel pipes with the largest outside diameter in the PRC as confirmed by CSPA. According to TGRC, we are one of the four LSAW steel pipes manufacturers recognised to have the capabilities to produce LSAW steel pipes that meet the X80 standard that are considered suitable for application in major national pipeline projects in the PRC. Since our Group's establishment in 1993, we have been focusing on the production of high quality longitudinal welded steel pipes and have gained sound market reputation manifested by the accreditations awarded to us in relation to the quality and market acceptance of our steel pipe products marketed under the brand name "PCK" throughout the years. Our steel pipe products are highly regarded by domestic and international customers with particular reputation on distinguished quality and services.

Our business model

We operate our business under a project-originated model through which the sales of our steel pipe products depend largely on the locations of our customers, and/or their end customers, as well as the locations of global pipeline construction projects, and our Group derived a high proportion of our revenue from our major customers in the PRC and a number of customers in over 50 overseas countries and regions during the Track Record Period, which customers base varies from year to year. Our varying customer base results in differing requirements or specifications for our steel pipe products designated by our customers and therefore the application of different processing know-how and technique in the production of the steel pipe products, which are customised for the relevant customer's projects. In addition, we supply our customised steel pipe products to our customers in such amount pursuant to the sales orders or contracts placed by our customers, which amount, as our Directors believe, will in general align with the pre-determined amount required by the relevant customer for its projects. After the signing of the sales contracts with our customers or successfully obtained a tender and within the validity period of the relevant raw material quotations, we will enter into a back-to-back purchase agreement with our suppliers to purchase the quantity of raw materials required in the corresponding sales contracts. As such, this made-to-order operational pattern could minimise our exposure to the risk of inventory accumulation. For details of our Group's sales and marketing activities and our customers, please refer to the paragraphs headed "Sales and marketing" and "Customers" in the section headed "Business" in this prospectus.

Moreover, our steel pipe products are also used for infrastructural purposes, such as water, irrigation and sanitation pipes, steel tubular piles or towers, hollow structural sections for buildings, bridges and stadiums, and structural and mechanical pipes in marine engineering projects. We have entered into a framework agreement dated 14 April 2009 in relation to the provision of approximately 100,000 tonnes of longitudinal welded steel pipes for The Huainan – Shanghai 1000KV transmission and transformation project under the project of "Eastward Power Transmission from Anhui" with a total contract sum of approximately RMB500 million. This project is a long-distance power grid construction project in the PRC and also China's first 1000KV grade double-circuit extra high voltage transmission project.

As our steel pipe products, especially LSAW steel pipes, are mainly used in pipeline and infrastructure projects worldwide, our Directors believe that any quality failure in the steel pipes used in such projects might potentially bring disastrous consequences to the safety and well being of the public at large and hence the tolerance level for quality failure of steel pipes to be used in infrastructure project is extremely low. Therefore, the manufacturing of our steel pipes that are suitable for use in global pipeline and infrastructure projects requires advance production technology and stringent quality control in order to meet the stringent international quality standard. Given the above, our Directors believe that the consideration of our product quality, track record and market reputation prevail over that of the price of our steel pipe products when our customers or potential customers are to place orders for our steel pipe products and thus price sensitivity of our LSAW steel pipes are relatively low.

Taking into consideration our "made-to-order" business model, i.e., we produce steel pipe products that are customised to meet our customers' specifications, and the high quality of our steel pipe products, our Directors consider that the various anti-dumping measures imposed by the United States and the EU in recent years did not cause any significant adverse impact to the demand for our steel pipe products and our operations as a whole.

Our products and operations

Our principal line of business is the manufacture and sale of longitudinal welded steel pipes. At the same time, in order to satisfy customers with specific requirements on raw materials for their products, we also provide steel pipe manufacturing services whereby such customers provide us with principal raw materials, namely, steel coils and steel plates, for our further processing of the same into steel pipes. Moreover, we provide ancillary products and services such as coating and fittings to our customers.

Our steel pipe products have a wide scope of applications (depending on the respective outside diameter and thickness) and a majority of them are sold to enterprises in the oil, petrochemicals and natural gas industry for use as pipelines for transmission of oil, petrochemicals, natural gas, city gas and coal slurry, or as casing pipes for oil wells. Domestically, a significant portion of our LSAW steel pipes and steel pipes which are formed using electric resistance welding technology ("**ERW steel pipes**") is sold to customers in the oil and gas industries in the PRC and CNPC, CNOOC and Sinopec are our major domestic customers. For each of the three years ended 31 December 2008 and the eight months ended 31 August 2009, our sales to CNPC (as a group) amounted to approximately RMB51.2 million, RMB195.8 million, RMB580.2 million and RMB475.0 million, respectively, and contributed to approximately 4.7%, 13.4%, 22.1% and 23.5%, respectively, of our total revenue; our sales to CNOOC (as a group) amounted to approximately RMB156.9 million, RMB176.3 million, RMB46.8 million and RMB78.4 million, respectively, and contributed to approximately 14.3%, 12.1%, 1.8% and 3.9%, respectively, of our total revenue; and our sales to Sinopec (as a group) amounted to approximately RMB88.3 million, RMB104.3 million, RMB220.6 million and RMB96.1 million, respectively, and contributed to approximately 8.0%, 7.2%, 8.4% and 4.8%, respectively, of our total revenue. For overseas markets, our steel pipe products are exported to customers in over 50 countries and regions in the Middle East, European Union, America, and Southeast and Central Asia, with the Middle East being a market of growing significance. We have built up a broad and geographically diversified customer base with more than 690 customers as at 31 August 2009, which comprise oil fields operators, oil companies, gas companies, petrochemical companies, trading firms and engineering firms worldwide.

As a result of the overall increasing trend of the oil and natural gas prices in the past few years, the industry experienced massive investments in exploration and drilling activities during the recent years. Moreover, the increasing demand for and consumption of natural gas worldwide boost the transportation infrastructure. Higher usage of natural gas requires better and more economical transportation medium thus stimulate the construction of more pipelines. The growth in the global demand for crude oil in recent years has led to a corresponding increase in capital expenditure on crude oil exploration, refining and transmission. In China, capital expenditure on oil and gas exploration and production has also risen steadily in recent years. According to the annual reports of PetroChina Company Limited, CNOOC Limited and Sinopec Shanghai Petrochemical Company Limited, being the listed companies of China's three main oil and gas conglomerates (CNPC, CNOOC and Sinopec), their aggregate capital expenditures and investments on exploration and production activities increased from approximately RMB85.7 billion in 2003 to approximately RMB252.1 billion in 2008, representing a CAGR of approximately 24.1%.

Our steel pipe products can be broadly categorised into LSAW steel pipes and ERW steel pipes. As at the Latest Practicable Date, we had three production lines for LSAW steel pipes and one production line for ERW steel pipes with an aggregate annual production capacity of 1,150,000 tonnes of longitudinal welded steel pipes. Our principal production base is located in Panyu, Guangdong Province, the PRC, where our major production facilities, including two production lines for LSAW steel pipes, one production line for ERW steel pipes and various ancillary production facilities, such as coatings and fittings, are housed. We also established one LSAW steel pipes production line in Jiangyin, Jiangsu Province, the PRC to meet the growing demand for such product in the PRC and other countries and regions in the Middle East, Europe, America, and Southeast and Central Asia.

We use JCOE or UOE production methods in the production of LSAW steel pipes. Among the three LSAW steel pipes production lines operated by our Group as at the Latest Practicable Date, two adopt the JCOE production method with an aggregate annual production capacity of 600,000 tonnes and one adopts the UOE production method with an annual production capacity of 400,000 tonnes. The ERW steel pipes production line has an annual production capacity of 150,000 tonnes.

OUR COMPETITIVE STRENGTHS

We attribute our success to several principal competitive strengths which will enable us to maintain our preeminent position in the market and bolster our future prospects. These competitive strengths include:

- We have a long-standing track record and well-established reputation in the industry
- We have a solid, broad and geographically diversified customer base
- Our sizeable production capacity allows us to take advantage of economies of scale
- We have advanced production facilities capable of accommodating customers' requirements
- We are the forerunner participating in the development of steel pipe industry of the PRC
- We have stringent quality control
- We have experienced management and technical staff
- We have strong research and development capabilities

For further details of our competitive strengths, please refer to the paragraph headed "Our competitive strengths" in the section headed "Business" in this prospectus.

OUR STRATEGIES

We strive to be a leading manufacturer of high quality longitudinal welded steel pipe products in the PRC and will continue to seek opportunities to realise sustainable growth of our business. Based on our experienced management team, research and development capabilities, well-established relationships with our major suppliers and customers and emphasis on the quality of products, our Directors believe that we are well-positioned to capture the anticipated growth of the steel pipe markets in the PRC and overseas. We intend to implement the following plans to maintain and capitalise on our strengths so as to enhance our business prospects and profitability:

- To increase our production capacity and to enhance our production efficiency and quality assurance and control systems
- To expand our distribution network and reinforce business relationship with our customers
- To strengthen our growth through organic growth, selective acquisitions and partnerships
- To strengthen our product research and development capability
- To increase our marketing efforts to promote the brand recognition of our steel pipe products marketed under the "PCK" trademark

For further details of our strategies, please refer to the paragraph headed "Our strategies" in the section headed "Business" in this prospectus.

OUR SALES

During the Track Record Period, a significant portion of our steel pipes was sold in the PRC and the remaining was sold to over 50 countries and regions in the Middle East, European Union, America, and Southeast and Central Asia, with Middle East being a market of growing significance. The following table shows the breakdown of our revenue by geographical area for each of the three years ended 31 December 2008 and the eight months ended 31 August 2009:

Market	Year ended 31 December 2006		2007		2008		Eight months ended 31 August 2009	
	RMB'000	*% of revenue*	*RMB'000*	*% of revenue*	*RMB'000*	*% of revenue*	*RMB'000*	*% of revenue*
Mainland China	599,523	54.5	663,590	45.5	1,252,643	47.7	752,700	37.2
America *(Note)*	145,507	13.2	291,498	20.0	613,451	23.3	164,105	8.1
European Union	217,104	19.8	11,803	0.8	61,742	2.4	97,466	4.8
Middle East	13,699	1.2	225,085	15.4	325,639	12.4	718,947	35.6
Other Asian countries	80,351	7.3	155,485	10.7	290,856	11.1	185,033	9.2
Others	43,557	4.0	110,567	7.6	80,308	3.1	103,052	5.1
	1,099,741	100.0	1,458,028	100.0	2,624,639	100.0	2,021,303	100.0

Note: For the three years ended 31 December 2008 and for the eight months ended 31 August 2009, among our sales to America, our sales to the US accounted for approximately 9.7%, 9.7%, 8.2% and 2.3%, respectively, of our total revenue.

Our sales were highly concentrated in one or a few market(s) during the Track Record Period. As shown above, approximately 54.5%, 45.5%, 47.7% and 37.2% respectively of our total revenue were generated from the customers in the PRC during the Track Record Period. Moreover, during the eight months ended 31 August 2009, our sales to the Middle East increased significantly and accounted for approximately 35.6% of our total revenue during the relevant period. For our sales to the PRC market, although there was a decreasing trend in the proportion of revenue generated from the PRC customers during the Track Record Period, we believe that we are still heavily dependent on the general economic conditions in the PRC for our continued growth especially in view of the recent development of our business in infrastructure and construction projects in the PRC. Though we exported an increasing portion of our steel pipe products to more than 50 overseas countries and regions and the sales thereof accounted for approximately 45.5%, 54.5%, 52.3% and 62.8%, respectively, of our total revenue during the Track Record Period, but our sales to the Middle East market accounted for a large portion of our total exports sales during the eight months ended 31 August 2009. Although our level of reliance on the PRC market had generally been decreasing during the Track Record Period, we expect that the PRC market will continue to be our single principal market. If sales to customers are being weighed or analysed on a country-to-country basis, no other country could prevail over the PRC as our Group's origin of revenue and income contribution.

Anti-dumping and countervailing measures

We export an increasing volume of steel pipe products during the Track Record Period. For each of the three years ended 31 December 2008 and the eight months ended 31 August 2009, exports sales accounted for approximately 45.5%, 54.5%, 52.3% and 62.8% of our total revenue during the Track Record Period respectively. Exports sales accounted for approximately 62.5% of our unaudited total revenue for the eleven months ended 30 November 2009. Due to heightened competition in international trade, foreign countries may from time to time impose anti-dumping or countervailing measures such as imposition of duties on any goods exported by the PRC (including our steel pipe products) so as to protect their own industries. Given our geographical presence in certain countries where anti-dumping and countervailing measures are adopted, we may face anti-dumping and countervailing measures that, among other things, impose duties on our exported steel pipe products. For details of the anti-dumping measures imposed by the EU, and several anti-dumping and countervailing orders and investigations in relation to certain steel pipes and pipe fittings imposed by the United States, please refer to the paragraph headed "Change of rules and regulations, including anti-dumping and countervailing measures, by foreign countries may affect our exports sales into those countries." in the section headed "Risk factors", the paragraphs headed "Anti-dumping and countervailing duties in the United States" and "Anti-dumping duties in the EU" in the section headed "Industry overview" in this prospectus.

On 30 December 2009, the ITC determined in Investigation No.701-TA-463 that a US industry is materially injured or threatened with material injury by reason of imports of certain oil country tubular goods from China that the DOC determined are subsidised in the DOC Notice Number C-570-944. As a result of the ITC's affirmative determination, the DOC issued a countervailing duty order on imports of these products from China on 20 January 2010. Countervailing duty rates determined by the DOC range from 10.36% to 15.78%, while the applicable rate for companies not investigated by the DOC is 13.20%. A parallel anti-dumping proceeding is still pending at the DOC and the ITC with final disposition expected in May 2010. That proceeding may result in additional duties. For details, please refer to the paragraph headed "Anti-dumping and countervailing duties in the United States" in the section headed "Industry overview" in this prospectus.

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

Further, to the best knowledge of our Directors, under the anti-dumping rules and regulations of the EU and the United States, the PRC may be treated as a "non-market economy" and, as a result, may be subject to special rules in determining whether imports of products from the PRC constitute dumping and in determining anti-dumping duty rates. For details, please refer to the paragraph headed "Anti-dumping determination and "non-market economy"" in the section headed "Industry overview" in this prospectus.

Impact of US and EU trade cases and investigations on our business

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

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

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

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

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

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

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

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

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

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

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

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

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

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

OUR TRADING RECORD

The following table summarises our audited combined results for the Track Record Period, which are prepared on the assumption that our current corporate structure had been in existence throughout the Track Record Period and are extracted from the accountants' report, the text of which is set forth in Appendix I to this prospectus.

	Year ended 31 December			Eight months ended 31 August	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Revenue	1,099,741	1,458,028	2,624,639	1,683,314	2,021,303
Cost of sales	(919,865)	(1,191,977)	(2,087,689)	(1,292,521)	(1,573,330)
Gross profit	179,876	266,051	536,950	390,793	447,973
Other income and gains*(Note)*	2,496	3,253	6,430	2,923	31,287
Selling and distribution costs	(47,408)	(63,106)	(57,172)	(37,809)	(51,675)
Administrative expenses	(36,976)	(48,616)	(90,033)	(45,004)	(48,836)
Other expenses	(1,635)	(2,876)	(4,000)	(2,717)	(600)
Finance costs	(43,185)	(45,439)	(65,186)	(39,418)	(28,778)
Exchange loss, net	(1,544)	(10,692)	(9,021)	(10,528)	(661)
Share of profit of a jointly-controlled entity	2,475	–	–	–	–
Profit before tax	54,099	98,575	317,968	258,240	348,710
Tax	(16,102)	(28,224)	(42,504)	(43,911)	(47,547)
Profit for the year/period	37,997	70,351	275,464	214,329	301,163
Other comprehensive income:					
Exchange differences on translating foreign operations	1,424	2,897	1,925	742	(19)
Other comprehensive income for the year/period, net of tax	1,424	2,897	1,925	742	(19)
Total comprehensive income for the year/period	39,421	73,248	277,389	215,071	301,144
Profit attributable to:					
Equity holders of the Company	37,997	70,351	275,464	214,329	301,163
Total comprehensive income attributable to:					
Equity holders of the Company	39,421	73,248	277,389	215,071	301,144

Note: Our other income and gains for the eight months ended 31 August 2009 included a gain on the disposal of a production line in Zhangjiagang, Jiangsu Province, the PRC of approximately RMB26.6 million during the eight months ended 31 August 2009.

The following paragraphs set out a brief discussion on the revenue breakdown of our products and services, revenue breakdown by geographical areas, gross profit and gross profit margin breakdowns of our products and services, cost of raw materials, selling and distribution costs, administrative expenses and finance costs during the Track Record Period:

Revenue

The following table shows the breakdown of our revenue by business lines during the Track Record Period:

	Year ended 31 December						Eight months ended 31 August	
	2006		**2007**		**2008**		**2009**	
	RMB'000	*% of revenue*	*RMB'000*	*% of revenue*	*RMB'000*	*% of revenue*	*RMB'000*	*% of revenue*
Manufacture and sale of steel pipes								
LSAW steel pipes	800,234	72.8	1,190,292	81.6	2,213,126	84.3	1,270,428	62.9
ERW steel pipes	211,947	19.3	174,290	12.0	201,180	7.7	633,111	31.3
Steel pipes manufacturing services								
LSAW steel pipes	40,054	3.6	44,134	3.0	162,773	6.2	29,721	1.5
ERW steel pipes	20,633	1.9	4,992	0.4	3,738	0.1	2,568	0.1
Others *(Note)*	26,873	2.4	44,320	3.0	43,822	1.7	85,475	4.2
Total revenue	1,099,741	100.0	1,458,028	100.0	2,624,639	100.0	2,021,303	100.0

Note: Others mainly include manufacturing and sale of steel fittings, trading of steel pipes and sale of scrap materials.

The revenue generated from our manufacture and sale and manufacturing services of LSAW steel pipes accounted for approximately 76.4%, 84.6%, 90.5% and 64.4% of our total revenue (i.e. represents a majority portion of our total revenue) for each of the three years ended 31 December 2008 and for the eight months ended 31 August 2009, respectively.

During the Track Record Period, the revenue generated from the manufacture and sale of ERW steel pipes accounted for approximately 19.3%, 12.0%, 7.7% and 31.3%, respectively, of our total revenue. When compared to LSAW steel pipes, technical requirements for the production of ERW steel pipes are relatively lower and the product specifications of ERW steel pipes are, in general, more standardised. The market competition of ERW steel pipe products is thus very keen and the gross profit margin for such products is usually lower than that of LSAW steel pipe products. However, during the eight months ended 31 August 2009, the sales volume of our ERW steel pipes increased by approximately 351.5% and the average selling price increased by approximately 78.3% as compared to those for the eight months ended 31 August 2008, which is mainly attributable to our success in our bid to secure big orders for an aggregate of over 44,000 tonnes of ERW steel pipes from a major customer in the Sultanate of Oman, which our Group has two years' trade relationship with, in July 2008 with a higher average selling price as a result of the customer's special technical requirement for anti-corrosive ERW steel pipes. The revenue generated from the manufacture and sale of such ERW steel pipes to the major customer in the Sultanate of Oman was approximately RMB550.5 million for the eight months ended 31 August 2009 and all the ERW steel pipes in relation to such sales order were delivered during the eight months ended 31 August 2009. Following the completion of this sales order and up to the Latest Practicable Date, our Group did not secure any recurring sales order from that major customer in the Sultanate of Oman and there had been no further sales orders placed by that major customer in the Sultanate of Oman or other customers for similar ERW steel pipes. Due to our project-originated business model, our Directors are not in the position to comment on whether our Group will be able to obtain recurring or further sales orders for similar kind of ERW steel pipes from this major customer in the Sultanate of Oman in the future. If our Group cannot obtain the sales for similar kind of ERW steel pipes from such customer or other customers, our revenue from the manufacture and sale of ERW steel pipes may decrease significantly in the coming years and the profitability of our Group in the future may be adversely affected.

Despite these relatively lucrative orders for ERW steel pipes, our Directors remain convinced that the market potential for LSAW steel pipes is more prominent than that for ERW steel pipes as LSAW steel pipes can be used in more demanding applications, such as high pressure and deep water gas and oil transmission projects, due to their weld strength and quality. As such, we were more focused on the development of our LSAW steel pipe products during the Track Record Period and will continue to do so in the near future with a view to improving our overall gross profit margin while we will still consider to take up profitable sales orders for ERW steel pipes when we have spare production capacity and resources to accommodate those sales orders.

There were significant changes in our Group's product mix, sales mix and geographical revenue segment during the Track Record Period, which changes were to a large extent due to the different place of originations and product specifications of the sales contracts which we secured worldwide and which are project based with no significant correlation with the historical trend of our sales. As such, our Directors believe that the significant changes in our results (and product mix, sales mix and geographical revenue segment) are rather erratic and should not be taken as a general characteristic of the industry in which we operate.

Gross profit

	Year ended 31 December						Eight months ended 31 August			
	2006		2007		2008		2008		2009	
	RMB'000	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*	*RMB'000* (Unaudited)	*% of total*	*RMB'000*	*% of total*
Manufacture and sale of steel pipes										
– LSAW steel pipes	134,504	74.8	198,958	74.8	412,574	76.8	268,947	68.8	203,313	45.4
– ERW steel pipes	19,478	10.8	28,796	10.8	20,375	3.8	1,257	0.3	203,448	45.4
Steel pipes manufacturing services										
– LSAW steel pipes	23,516	13.1	29,120	10.9	103,010	19.2	114,630	29.4	19,523	4.4
– ERW steel pipes	522	0.3	509	0.2	(469)	0.0	(209)	(0.1)	987	0.2
Others *(Note)*	1,856	1.0	8,668	3.3	1,460	0.2	6,168	1.6	20,702	4.6
Total gross profit	179,876	100.0	266,051	100.0	536,950	100.0	390,793	100.0	447,973	100.0

Note: Others mainly include manufacturing and sale of steel fittings, trading of steel pipes and sale of scrap materials.

Gross profit margin

	Year ended 31 December			Eight months ended 31 August	
	2006	2007	2008	2008	2009
	%	%	%	%	%
Manufacture and sale of steel pipes					
– LSAW steel pipes	16.8	16.7	18.6	18.9	16.0
– ERW steel pipes	9.2	16.5	10.1	1.6	32.1
Steel pipes manufacturing services					
– LSAW steel pipes	58.7	66.0	63.4	76.8	65.7
– ERW steel pipes	2.5	10.2	(12.5)	(5.9)	38.4
Others *(Note)*	6.9	19.6	3.3	24.6	24.2
Overall gross profit margin	16.4	18.2	20.5	23.2	22.2

Note: Others mainly include manufacturing and sale of steel fittings, trading of steel pipes and sale of scrap materials.

During the three years ended 31 December 2008, the gross profit margin for the manufacture and sale and manufacturing services of LSAW steel pipes are generally higher than that for the ERW steel pipes due to the higher requirements in production technology and equipment of LSAW steel pipes. However, the gross profit margin for the manufacture and sale of our ERW pipe products for the eight months ended 31 August 2009 was incidentally higher than that for our manufacture and sales of ERW pipes for each of the three years ended 31 December 2008 and for our LSAW steel pipe products during each of the three years ended 31 December 2008 and the eight months ended 31 August 2009, and this is mainly attributable to the fact that (i) we were able to charge a comparatively higher selling price since the major customer in the Sultanate of Oman mentioned under the paragraph headed "Revenue" above demanded a special technical requirement for anti-corrosive ERW steel pipes to be produced; and (ii) we were able to benefit from the drop in per unit fixed costs as a result of the significant increase in sales volume of ERW steel pipes during the eight months ended 31 August 2009. The gross profit and gross profit margin for the manufacture and sale of our ERW steel pipes sales order from that major customer in Sultanate of Oman was approximately RMB187.2 million and 34.0%, respectively, for the eight months ended 31 August 2009.

Moreover, provision of LSAW steel pipes manufacturing services has higher gross profit margin due to its sales and pricing nature as previously discussed. Given the above, any change in our product mix or sales mix from time to time will affect our overall gross profit margin. During the Track Record Period, our changes in sales mix and product mix were basically driven by the specifications of steel pipes required by our customers on a case-by-case basis. Nevertheless, our production facilities are equipped with comprehensive production equipment that enable us to provide a wide range of steel pipe products and to cope with the ever-changing demand of our customers.

Cost of raw materials

The raw materials that we use for the manufacturing of our steel pipes include steel plates, steel coils and welding materials. For each of the three years ended 31 December 2008 and the eight months ended 31 August 2009, cost of such raw materials accounted for approximately 91.3%, 92.2%, 92.5% and 90.9%, respectively, of our total cost of sales. All of our customers have entered into purchase contracts with us on a project by project basis and the delivery period of such contracts usually lasts from several weeks to several months, and some contracts may last as long as over one year. As both product price and quantity are, in general, specified in the purchase contract, we need to set the product price with reference to the prevailing market prices of the raw materials at the time of entering into the purchase contract. As such, fluctuations in raw material prices have an effect on our profit margin. Nevertheless, in order to mitigate the impact of increase in raw material prices, since the first quarter of 2006, we have adopted the policy of entering into back-to-back purchase contract with our suppliers once sales contracts were entered into with our customers in order to fix the cost of raw materials with our suppliers in relation to specific sales contracts.

Selling and distribution costs

Our selling and distribution costs principally consist of expenses on transportation, commissions, advertising, salary and staff welfare, entertainment, custom clearance, consumables and travelling. For each of the three years ended 31 December 2008 and the eight months ended 31 August 2009, our selling and distribution costs amounted to approximately RMB47.4 million, RMB63.1 million, RMB57.2 million and RMB51.7 million, respectively. As a percentage of total revenue, our selling and distribution costs have dropped from approximately 4.3% for the two years ended 31 December 2007 to approximately 2.2% for the year ended 31 December 2008 and approximately 2.6% for the eight months ended 31 August 2009. The drop in selling and distribution costs to revenue ratio in 2008 was mainly attributable to the adoption of more stringent cost control on our expenses in relation to our sales and marketing activities and the absorption of transportation cost by a number of our domestic customers. Please refer to the paragraphs headed "Period-to-period analysis of our Group's trading record" and "Year-to-year analysis of our Group's trading record" in the section headed "Financial information" in this prospectus for more details of the period-to-period and year-to-year fluctuations of our Group's selling and distribution costs during the Track Record Period.

Administrative expenses

Administrative expenses mainly represent administrative staff salaries, office expenses, travelling expenses, entertainment, staff social insurance, staff welfare, bank charges, certain PRC tax payments, amortisation of prepaid land lease payments, professional fees and provision for bad debts. For each of the three years ended 31 December 2008 and for the eight months ended 31 August 2009, our administrative expenses amounted to approximately RMB37.0 million, RMB48.6 million, RMB90.0 million and RMB48.8 million, respectively. As a percentage of revenue, our administrative expenses are relatively stable and maintained at approximately 3.4% for the three years ended 31 December 2008 and approximately 2.4% for the eight months ended 31 August 2009. Please refer to the paragraphs headed "Period-to-period analysis of our Group's trading record" and "Year-to-year analysis of our Group's trading record" in the section headed "Financial information" in this prospectus for more details of the period-to-period and year-to-year fluctuations of our Group's selling and administrative expenses during the Track Record Period.

Interest-bearing loans and finance costs

During the Track Record Period, we financed our daily operations, purchase of raw materials and acquisition of fixed assets mainly by internally generated cash as well as interest-bearing loans. As at 31 December 2006, 2007 and 2008 and 31 August 2009, our outstanding balance of interest-bearing bank loans and government loans amounted to approximately RMB690.5 million, RMB1,084.5 million, RMB748.7 million and RMB727.7 million, respectively. As commercial banks in the PRC determine the interest rates on their loans with reference to the benchmark lending rates published by Peoples' Bank of China, we also have interest-bearing bank loan denominated in US dollar during the Track Record Period, with interest rates benchmarked to the London interbank offered rates for US dollar loans. For each of the three years ended 31 December 2008 and the eight months ended 31 August 2009, our finance costs were approximately RMB43.2 million, RMB45.4 million, RMB65.2 million and RMB28.8 million, respectively, which represented approximately 3.9%, 3.1%, 2.5% and 1.4%, respectively, of our Group's revenue. As at the Latest Practicable Date, we had approximately RMB1,595.7 million unutilised banking facilities available to us. If we decide to borrow additional interest-bearing bank loans in the future or should there be any increase in the abovementioned benchmark lending rates, our finance costs will increase and it would negatively affect our Group's profitability.

For additional information on the financial performance of our Group during the Track Record Period, please refer to the section headed "Financial information" in this prospectus and Appendix I to this prospectus.

Subsequent settlement of trade receivables up to 31 December 2009

As at 31 August 2009, the balance of our trade receivables was approximately RMB577.5 million, of which approximately RMB514.1 million, or approximately 89.0%, has been settled by our customers up to 31 December 2009.

RISK FACTORS

We consider that there are certain risks involved in our business and operations and in connection with the Global Offering. Such risks can be categorised into (i) risks relating to our business; (ii) risks relating to the steel pipe industry; (iii) risks relating to the PRC; and (iv) risks relating to the Global Offering. These risks are set out in the section headed "Risk factors" in this prospectus, the headings of which are as follows:

(i) Risks relating to our business

- Change of rules and regulations, including anti-dumping and countervailing measures, by foreign countries may affect our exports sales into those countries.

- We may not be able to secure sales orders for new projects through tenders or from new and/or existing customers.

- We rely on our key management personnel.

- We rely on supply of principal raw materials and a decreased supply of raw materials may adversely affect our operations.
- We derive a significant portion of our total revenue from a few customers.
- We derive a significant portion of our revenue from a single or a few market(s).
- We did not formally adopt any hedging policy to protect ourselves against any fluctuations in foreign exchange rate.
- We relied on bank borrowings during the Track Record Period and may continue to depend on bank borrowings in the near future for our operations.
- We lack proper title certificates for certain properties in the PRC.
- Failure to exercise tight credit and inventory control may adversely affect our results.
- A material disruption to our operations may adversely affect our revenue and profits.
- We may not be able to renew certifications which are significant for our operations.
- We may not be able to maintain our profit margin in the future.
- We may not be able to sustain our rapid business growth that we have experienced during the Track Record Period.
- We may not be able to implement our future plans successfully.
- We could become involved in intellectual property disputes.
- We have experienced net cash outflow from operating activities in the year ended 31 December 2007 and recorded net current liabilities as at 31 December 2007.
- Our historical dividends may not be indicative of our future dividends.
- It may be difficult to effect service of process upon us or our Directors or senior officers who reside in the mainland China or to enforce against them in the mainland China any judgements obtained from non-PRC courts.
- Our business and reputation may be affected by product liability claims, litigation, complaints or adverse publicity.
- We may be unable to recover retention money from our customers.
- We may continue to engage in certain sales of products to third parties for end-use by countries, governments, entities, or persons targeted by United States economic sanctions.
- We may be affected by the relationships between PRC and foreign countries from which PRC sources oil and gas.
- Our operations may be affected by inherent risks and occupational hazards.
- Power shortages or substantial increase in energy costs may adversely affect our operations.

(ii) Risks relating to the steel pipe industry

- We face intense competition.
- We rely on energy, infrastructure and construction projects which may be adversely affected by recent global financial crisis.
- We are subject to fluctuations in steel prices.
- We are in a capital intensive industry.
- Changes in the laws and regulations of the PRC will have a significant impact on our business.
- Fluctuation in market demand for and/or prices of oil and gas may affect the demand of our steel pipe products.

(iii) Risks relating to the PRC

- Uncertainty in the PRC legal system may make it difficult for us to predict the outcome of any disputes that we may be involved in.
- Our results and financial position are highly susceptible to changes in political, economic and social conditions of the PRC as our revenue is mainly derived from our operations in the PRC.
- There is no assurance that we will continue to receive the preferential tax treatment currently enjoyed by our Group.
- Future movements in exchange rates may adversely affect our financial position and results of operations.
- Restriction on currency conversion may limit our ability to remit dividends and affect our business.
- Any increase in interest rates in the PRC may materially affect our results.
- The outbreak of any severe communicable diseases in the PRC, if uncontrolled, could affect the financial performance and prospects of our Group.
- Import duties and effects of WTO accession.
- Payment of, and tax exemptions on, dividends are subject to restriction under the PRC laws.
- Enforcement of judgements obtained from non-PRC courts may be difficult.
- PRC regulations may limit our ability to make additional capital contributions to our subsidiaries in the PRC.
- The new PRC Labor Contract Law may have an impact on our Group's operations and our labor costs may increase as we may be liable to fines and penalties for any material breach of the new law.
- Acts of God, acts of war and other disasters could affect our business.

(iv) Risks relating to the Global Offering

- There has been no prior public market for the Shares.
- The market price of our Shares may be volatile.
- Concentrated ownership and the Controlling Shareholders may exert substantial influence over us and may not act in the best interests of our independent Shareholders.
- There may be dilution of shareholding as a result of additional equity fund raising.
- Statistics and industry information have come from various publicly available government official publications which may not be reliable.
- There are risks associated with forward-looking statements contained in this prospectus.
- Prospective investors should not place any reliance on any information contained in the press coverage regarding anti-dumping and countervailing measures.

PROFIT ESTIMATE FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

The following unaudited pro forma estimated earnings per Share for the financial year ended 31 December 2009 has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Global Offering as if it had taken place on 1 January 2009. This unaudited pro forma estimated earnings per Share has been prepared for illustrative purposes only and, because of its nature, it may not give a true picture of the financial results of our Group following the Global Offering.

Estimated combined net profit attributable to the equity holders of our Company for the financial year ended 31 December 2009	not less than RMB400.0 million (equivalent to approximately HK$456.0 million)
Unaudited pro forma estimated earnings per Share[(2)]	not less than RMB0.400 (equivalent to approximately HK$0.456)

Notes:

1. Our Group's estimated profit of not less than 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, respectively, according to the financial information prepared by the management of our Group representing approximately 27.2% and 41.8%, respectively, of our total revenue and total gross profit during the relevant period. 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.

2. The calculation of the unaudited estimated earnings per Share on a pro forma fully diluted basis is based on the estimated combined net profit attributable to equity holders of our Company for the financial year ended 31 December 2009 assuming that our Company had been listed on the Main Board since 1 January 2009 and a total of 1,000,000,000 Shares (including the Shares in issue as at 1 January 2009, Shares under the Capitalisation Issue and the Global Offering) had been in issue during that financial year, but does not take into account any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme or which may be allotted and issued or repurchased by our Company pursuant to the general mandates for the allotment and issue or repurchase of the Shares referred to under the paragraph headed "Resolutions in writing of the sole Shareholder passed on 23 January 2010" in Appendix VI to this prospectus.

3. 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.

   – Our Group's estimated profit for the year ended 31 December 2009 was not affected by anti-dumping or countervailing measures imposed by the US, EU and other countries during the relevant period.

   – Other than the anti-dumping or countervailing measures imposed by the US, EU 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, Jiangsu Province, 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 of our Group, 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 of our Group, 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 of our Group, 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.

   – There was no material changes in foreign currency exchanges rates, interest rates and inflation rates from those currently prevailing.

STATISTICS OF THE GLOBAL OFFERING

	Based on an Offer Price of HK$4.50 per Share	**Based on an Offer Price of HK$6.15 per Share**
Market capitalisation(1)	HK$4,500 million	HK$6,150 million
Unaudited pro forma adjusted net tangible assets per Share(2)	HK$2.04	HK$2.44
Prospective price/earning multiple(3)	9.9 times	13.5 times

Notes:

1. The market capitalisation does not take into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandates for the allotment and issue or repurchase of our Shares referred to under the paragraph headed "Resolutions in writing of the sole Shareholder passed on 23 January 2010" in Appendix VI to this prospectus.

2. The unaudited pro forma adjusted net tangible assets per Share is arrived at after making the adjustments set forth under the paragraph headed "Unaudited pro forma adjusted combined net tangible assets" in Appendix II in this prospectus and on the basis of a total of 1,000,000,000 Shares in issue and expected to be issued immediately following completion of the Global Offering but does not take into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandates for the allotment and issue or repurchase of our Shares referred to under "Resolutions in writing of the sole Shareholder passed on 23 January 2010" in Appendix VI to this prospectus.

   Appendix II to this prospectus sets forth the calculation of the unaudited pro forma adjusted net tangible assets per Share.

3. The prospective price/earnings multiple on a pro forma basis is calculated based on the estimated earnings per Share on a pro forma basis of approximately HK$0.456 for the financial year ended 31 December 2009 at the maximum and minimum indicative Offer Price.

If the Over-allotment Option is exercised in full, the number of Shares in issue will increase to 1,045,000,000 Shares (without taking into account any Shares that may be allotted and issued pursuant to the exercise of any options that may be granted under the Share Option Scheme).

DIVIDEND POLICY

In February 2009 and April 2009, Lessonstart declared a special dividend of a total sum of HK$56.4 million to its then sole shareholder, namely, Bournam. There can be no assurance that in the future we will pay dividends at a similar level to the past or at all, and potential investors should be aware that the amount of dividends we paid in the past should not be used as a reference or basis upon which future dividends are determined. The payment and the amount of any dividends in future will depend on various factors, including but not limited to, the results of operations, cash flows, financial position, statutory and regulatory restrictions on the payment of dividends by us and future prospects. Holders of the Shares will be entitled to receive such dividends pro rata according to the amounts paid up or credited as paid up on the Shares. The declaration, payment, and amount of dividends will be subject to our Board's discretion.

Dividends may be paid only out of our distributable profits as permitted under the relevant laws. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations. There can be no assurance that we will be able to declare or distribute any dividend in the amount set out in any of our plans or at all. Our dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future.

Subject to the foregoing, our Directors currently intend to recommend dividends which would amount in total to not less than 30% of the net profit attributable to our Shareholders for full financial years subsequent to the Global Offering. Such intention does not amount to any guarantee or representation or indication that we must or will declare and pay dividend in such manner or declare and pay any dividend at all. Cash dividends on the Shares, if any, will be paid in Hong Kong dollars.

PROPOSED USE OF NET PROCEEDS FROM THE NEW ISSUE

Our Directors intend to apply the net proceeds from the New Issue to finance our capital expenditure and business expansion, strengthen our capital base and improve our overall financial position. Assuming that the Over-allotment Option is not exercised and based on the Offer Price of HK$5.33 per Offer Share (being the mid-point of the indicative Offer Price range between HK$4.50 and HK$6.15 per Offer Share), the net proceeds from the New Issue, after deduction of underwriting commission and estimated expenses payable by the Company, are estimated to be approximately HK$1,246.6 million. Our Directors currently intend to apply such net proceeds from the New Issue as follows:

- as to approximately HK$872.6 million (equivalent to approximately RMB765.5 million) or approximately 70% of the net proceeds from the New Issue, for the planned establishment of a new production base in Lianyungang, Jiangsu Province, the PRC in addition to our existing production facilities as disclosed under the paragraph headed "Production facilities" in the section headed "Business" in this prospectus with a view to capturing business opportunities in Yangtze delta area, of which as to approximately HK$262.0 million (equivalent to approximately RMB229.8 million) or 21% is expected to be used for the purchase of a parcel of land required, as to approximately HK$87.3 million (equivalent to approximately RMB76.6 million) or 7% is expected to be used for the construction of the building structures to house the production facilities and as to approximately HK$436.0 million (equivalent to approximately RMB382.5 million) or 35% is expected to be used for the purchase of the production equipment and machinery which includes a new JCOE production line to be used for the manufacture of LSAW steel pipes with an annual production capacity of approximately 300,000 tonnes of LSAW steel pipes and an ancillary steel plate processing line to provide the requisite processing service of steel plates for, among others, our production of steel pipes; and as to the remaining of approximately HK$87.3 million (equivalent to approximately RMB76.6 million) or 7% for the acquisition of other ancillary production facilities such as a casing pipe production line for the above-mentioned new production base in Lianyungang, Jiangsu Province, the PRC;

- as to approximately HK$124.7 million (equivalent to approximately RMB109.4 million) or approximately 10% of the net proceeds from the New Issue, among which 9.5% for the establishment of one new production line for LSAW steel pipes in relation to the formation of a joint venture at a strategic overseas location (no specific conclusion or legally binding conclusion was made as at the Latest Practicable Date), and the modification and technical enhancement of an ancillary production line in Panyu, Guangdong Province, the PRC into a completed LSAW steel pipes production line, the planned annual production capacity of each production line being 300,000 tonnes; and as to the remaining for the potential partnership with and potential acquisition of other steel pipes manufacturers and/or other complementary production facilities (no target had yet been identified as at the Latest Practicable Date);

- as to approximately HK$62.3 million (equivalent to approximately RMB54.7 million) or approximately 5% of the net proceeds from the New Issue, for the repayment of certain bank loans, the details of which are set out below:

Name of bank	Drawdown date	Maturity date	Total principal amount *RMB'000*	Total amount to be repaid *RMB'000*	Total remaining balance *RMB'000*	Interest rate	Loan purpose
Industrial and Commercial Bank of China (Panyu Branch)	15 May 2009 to 26 October 2009	26 April 2010 to 18 May 2010	67,500	54,700	12,800	4.86% to 5.31%	Purchase of raw materials

- as to approximately HK$24.9 million (equivalent to approximately RMB21.8 million) or approximately 2% of the net proceeds from the New Issue, for the expansion of our overseas distribution network, such as applying approximately RMB17.0 million and RMB4.8 million respectively for the establishment of new marketing team and recruitment of sales and marketing personnel from overseas;

- as to approximately HK$37.4 million (equivalent to approximately RMB32.8 million) or approximately 3% of the net proceeds from the New Issue, for the enhancement of our research and development capability, such as recruitment of additional research and development personnel and dedicate more resources to in-house training; and

- the remaining proceeds will be used as our general working capital.

We will not receive any of the proceeds from the sale of Sale Shares by the Selling Shareholder. Assuming an Offer Price of HK$5.33 per Offer Share (being the mid-point of the indicative Offer Price range between HK$4.50 to HK$6.15 per Offer Share, and assuming that the Over-allotment Option is not exercised), the Selling Shareholder will receive approximately HK$254.9 million after deduction of underwriting commission and estimated expenses payable by the Selling Shareholder.

In the event that the Over-allotment Option is exercised in full and the Offer Price is finally determined at the highest end of the indicative Offer Price range between HK$4.50 to HK$6.15 per Offer Share, the net proceeds of the New Issue will increase by approximately HK$467.4 million to approximately HK$1,714.0 million. Our Directors intend to apply such additional net proceeds for the above usages in the proportions as referred to above.

In the event that the Over-allotment Option is exercised in full and the Offer Price is finally determined at the mid-point of the indicative Offer Price range between HK$4.50 and HK$6.15 per Offer Share, the net proceeds of the New Issue will increase by approximately HK$232.6 million to approximately HK$1,479.2 million. Our Directors intend to apply such additional net proceeds for the above usages in the proportions as referred to above.

In the event that the Over-allotment Option is exercised in full and the Offer Price is finally determined at the lowest end of the indicative Offer Price range between HK$4.50 and HK$6.15 per Offer Share, the net proceeds of the New Issue will reduce by approximately HK$5.0 million to approximately HK$1,241.6 million. In such event, our Directors intend to reduce the intended use of proceeds for the above stated purposes on pro-rata basis and we will finance such shortfall by internal cash resources and/or additional bank borrowings, as and when appropriate.

In the event that the Over-allotment Option is not exercised and the Offer Price is finally determined at the highest end of the indicative Offer Price range between HK$4.50 and HK$6.15 per Offer Share, the net proceeds of the New Issue will increase by approximately HK$198.9 million to approximately HK$1,445.5 million. Our Directors intend to apply such additional net proceeds for the above usages in the proportions as referred to above.

In the event that the Over-allotment Option is not exercised and the Offer Price is finally determined at the lowest end of the indicative Offer Price range between HK$4.50 and HK$6.15 per Offer Share, the net proceeds of the New Issue will reduce by approximately HK$201.4 million to approximately HK$1,045.2 million. In such event, our Directors intend to reduce the intended use of proceeds for the above stated purposes on pro-rata basis and we will finance such shortfall by internal cash resources and/or additional bank borrowings, as and when appropriate.

To the extent that the net proceeds from the New Issue are not immediately required for the above purposes or if we are unable to effect any part of our future development plans as intended, we may hold such funds in short-term deposits with licensed banks and/or authorised financial institutions in Hong Kong and/or the PRC for so long as it is in our best interest. We will also disclose the same in the relevant annual report.

In this prospectus, unless the context otherwise requires, the following terms and expressions shall have the following meanings:

"Access Capital"	Access Capital Limited, a corporation licensed under the SFO permitted to carry on Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) of the regulated activities (as defined in the SFO), and appointed as one of the Joint Sponsors
"Acquisition Regulations"	《關於外國投資者併購境內企業的規定》 (Regulations on the Acquisitions of Domestic Enterprises by Foreign Investors*), which were promulgated by six PRC governmental and regulatory agencies, including the Ministry of Commerce and the China Securities Regulatory Commission, on 8 August 2006, and became effective on 8 September 2006
"Antaike"	Beijing Antaike Information Development Co., Ltd., an information provider for the mining and metals industries based in Beijing, which offers up-to-date information and reports on China metal market through a number of publications, and which is owned as to 51% by the Information Center of China National Nonferrous Metals Industry, an Independent Third Party
"Application Form(s)"	**WHITE** and **YELLOW** application form(s) or, where the context so requires, either of them that is used in connection with the Hong Kong Public Offering
"Application Lists"	the application lists for the Hong Kong Public Offering
"Articles of Association" or "Articles"	the articles of association of our Company as amended from time to time
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"Bournam" or "Selling Shareholder"	Bournam Profits Limited, a company incorporated under the laws of BVI with limited liability on 11 June 1997 and wholly and beneficially owned by Mr. Chen
"Bournam Loan"	a loan facility in an aggregate amount of up to HK$60,000,000 granted by ICBC (Asia) to Bournam pursuant to the terms and conditions of the ICBC Loan Agreement, which loan was fully repaid in May 2009
"Business Day"	has the meaning ascribed to it under the Listing Rules
"BVI"	the British Virgin Islands
"Capitalisation Issue"	the issue of new Shares to be made upon the capitalisation of certain sums standing to the credit of the share premium account of our Company referred to under the paragraph headed "Resolutions in writing of the sole Shareholder passed on 23 January 2010" in Appendix VI to this prospectus

"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant or a CCASS Custodian Participant or a CCASS Investor Participant
"Chu Kong Zhangjiagang"	珠江鋼管(張家港)有限公司 (Chu Kong Steel Pipe (Zhangjiagang) Co., Ltd.*), a limited liability company established under the laws of the PRC on 11 June 2007 and a wholly-owned subsidiary of JCH Enterprise previously established for developing the Group's steel pipe business in Zhangjiagang area but which was de-registered in September 2008
"CISA"	China Iron & Steel Association, a nation-wide industry association of the iron and steel industry in China founded in 1999 dedicated to facilitate the development of the iron and steel industry in China and mainly engaged in, amongst others, the conduction of industry research and collection, process and dissemination of information concerning the domestic and overseas steel market, an Independent Third Party
"CKSPG"	Chu Kong Steel Pipe Group Co. Limited, a company incorporated in Hong Kong on 13 December 2007 with limited liability and an indirect wholly-owned subsidiary of our Company engaged in investment holding
"CNPC"	中國石油天然氣集團公司 (China National Petroleum Corporation*) and/or its subsidiaries, Independent Third Parties
"CNOOC"	中國海洋石油總公司 (China National Offshore Oil Corporation*) and/or its subsidiaries, Independent Third Parties
"Companies Law"	the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended from time to time
"Company"	Chu Kong Petroleum and Natural Gas Steel Pipe Holdings Limited (珠江石油天然氣鋼管控股有限公司), a company incorporated in the Cayman Islands with limited liability on 9 January 2008
"Connected Person(s)"	has the meaning ascribed to it under the Listing Rules

"Controlling Shareholders"	has the meaning ascribed to it under the Listing Rules and, in the context of this prospectus, means both Bournam and Mr. Chen
"Crown Central"	Crown Central Holdings Limited, a company incorporated in Hong Kong with limited liability on 21 March 1995 and an indirect wholly-owned subsidiary of our Company principally engaged in trading business
"CSPA"	中國鋼結構協會鋼管分會 (China Steel Construction Society, Steel Pipe Branch Association*), a branch association of 中國鋼結構協會 (China Steel Construction Society*) which is a non-profit making, self-discipline organisation legal entity duly registered with 中華人民共和國民政部 (Ministry of Civil Affairs of the PRC*) and supervised by 國務院國有資產監督管理委員會 (State-owned Assets Supervision and Administration Commission of the State Council*) established on 5 November 1995 in the PRC which currently has over 100 members, who joined CSPA on a voluntary basis, comprising nation-wide manufacturers of different types of seamless and welded steel pipes in the PRC. Major functions and activities of CSPA include the facilitation of communication between the steel pipe enterprises and the PRC government, the protection of rights and interests of the steel pipe manufacturers, the conduct of research relevant to the steel pipe industry, the formulation and revision of the technical standards for the steel pipe industry and the promotion of technical development and co-operation of the steel pipe enterprises in the PRC
"Dalong Welding Material"	廣州大龍焊接材料有限公司 (Guangzhou Dalong Welding Material Co., Ltd.*), a limited liability company established under the laws of the PRC on 19 October 2006 and a wholly-owned subsidiary of JCH Enterprise whose permitted scope of business includes the production and sale of materials for use in welding process
"Director(s)"	the director(s) of the Company
"EIA"	the acronym for the Energy Information Administration, the statistical and analytical agency within the US Department of Energy. EIA collects, analyses, and disseminates independent and impartial energy information to promote sound policymaking, efficient markets, and public understanding of energy and its interaction with the economy and the environment, an Independent Third Party
"EIT"	中國人民共和國企業所得税 (the Enterprise Income Tax of the PRC*)
"Electronic Application Instruction(s)"	instructions given by a CCASS Participant electronically via CCASS to HKSCC, being one of the methods to apply for the Hong Kong Offer Shares
"EU"	European Union, a supranational and intergovernment union of twenty-seven states and a political body established in 1993 by the Treaty on European Union and is the de facto successor to the six-member European Economic Community founded in 1957

"Excluded Group"	JCH Excluded Group, GZFLD, 廣州市珠江機床廠有限公司 (Guangzhou City Pearl River Machine Tool Co., Ltd.*), 廣州市番禺珠江實業集團有限公司 (Guangzhou City Panyu Pearl River Enterprises Holdings Co., Ltd.*), 內蒙古鑲黃旗金豐礦業開發有限公司 (Inner Mongolia Xianghuangqi Jinfeng Mining Development Co., Ltd.*), 廣州市番禺珠江貿易進出口有限公司 (Guangzhou City Panyu Pearl River Import & Export Trading Co., Ltd.*), and 廣州市嘉銀貿易有限公司 (Guangzhou City Jiayin Trading Co., Ltd.*)
"Global Offering"	the International Placing and the Hong Kong Public Offering
"GPR Casing Pipe"	廣州珍珠河石油套管有限公司 (Guangzhou Pearl River OCTG Co., Ltd.*), a limited liability company established under the laws of the PRC on 16 October 2006 and an indirect wholly-owned subsidiary of our Company principally engaged in manufacturing and sale of casing pipes
"GPR Coating"	廣州珍珠河石油鋼管防腐有限公司 (Guangzhou Pearl River Petroleum Steel Pipe Coating Co., Ltd.*), a limited liability company established under the laws of the PRC on 16 October 2006 and an indirect wholly-owned subsidiary of our Company principally engaged in steel pipe coating and lining services
"GPR Companies"	collectively GPR Coating, GPR Casing Pipe, GPR Petrol-Fittings and GPR Steel Pipe
"GPR Petrol-Fittings"	廣州珍珠河石化管件有限公司 (Guangzhou Pearl River Petrol-Fittings Co., Ltd.*), a limited liability company established under the laws of the PRC on 16 October 2006 and an indirect wholly-owned subsidiary of our Company principally engaged in manufacturing and sale of petrol-fittings
"GPR Steel Pipe"	廣州珍珠河石油鋼管有限公司 (Guangzhou Pearl River Petroleum Steel Pipe Co., Ltd.*), a limited liability company established under the laws of the PRC on 16 October 2006 and an indirect wholly-owned subsidiary of our Company principally engaged in manufacturing and sale of steel pipes
"Group", "we" or "us"	our Company and our subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, such subsidiaries as if they were the subsidiaries of our Company at the time
"GZFLD"	廣州富菱達電梯有限公司 (Guangzhou Fulingda Elevator Company Limited*), a limited liability company established under the laws of the PRC on 18 June 1998, which is wholly and beneficially owned by Mr. Chen and principally engaged in manufacturing, processing, installation and maintenance of elevators and related accessories
"HK$" or "HK dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC

"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Offer Shares"	the 30,000,000 New Shares initially offered for subscription under the Hong Kong Public Offering (subject to re-allocation as described in the section headed "Structure and conditions of the Global Offering" in this prospectus)
"Hong Kong Offer Underwriters"	the underwriters of the Hong Kong Public Offering whose names are set forth in the section headed "Underwriting" in this prospectus
"Hong Kong Public Offering"	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong at the final Offer Price on and subject to the terms and conditions stated in this prospectus and in the Application Forms as further described in the section headed "Structure and conditions of the Global Offering" in this prospectus
"Hong Kong Underwriting Agreement"	the conditional underwriting agreement dated 27 January 2010 relating to the Hong Kong Public Offering and entered into between, amongst others, our Company, the Joint Sponsors, and the Hong Kong Offer Underwriters relating to the Hong Kong Public Offering, details of which are set forth in the section headed "Underwriting" in this prospectus
"Hualong Anti-Corrosion"	廣州市番禺珠江華龍石油鋼管防腐有限公司 (Guangzhou Panyu Chu Kong Hualong Petroleum Steel Pipe Anti-Corrosion Co., Ltd.*, formerly known as 番禺珠江華龍石油鋼管防腐有限公司 (Panyu Chu Kong Hualong Petroleum Steel Pipe Anti-Corrosion Co., Ltd.*)), a limited liability company established under the laws of the PRC on 19 October 1999 and an indirect wholly-owned subsidiary of our Company principally engaged in steel pipe coating and lining services
"ICBC (Asia)"	Industrial and Commercial Bank of China (Asia) Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Main Board
"ICBC Loan Agreement"	the term loan agreement dated 21 April 2008 entered into between Bournam as borrower and ICBC (Asia) as lender, whereby ICBC (Asia) granted the Bournam Loan to Bournam, which loan was fully repaid in May 2009
"ICBCI"	ICBC International Capital Limited, a corporation licensed under the SFO permitted to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) of the regulated activities (as defined in the SFO), acting as one of the Joint Global Coordinators, one of the joint bookrunners of the Global Offering and one of the Joint Sponsors
"ICBCI Securities"	ICBC International Securities Limited, a corporation licensed under the SFO permitted to carry on Type 1 (dealing in securities) of the regulated activities (as defined in the SFO), acting as one of the joint lead managers of the Global Offering

"IISI"	the acronym for International Iron and Steel Institute, a non-profit making research organisation founded in October 1967 with headquarters in Brussels, Belgium and an Independent Third Party. IISI is one of the largest and most dynamic industry associations in the world and aims to provide a forum for the global steel industry to address the major strategic issues and challenges the industry faces on a global basis
"Independent Third Party(ies)"	a person(s) or company(ies) which is/are independent of and not connected with any member of our Group, our Directors, chief executive and substantial shareholder of our Company and our subsidiaries and their respective associates
"International Placing"	the conditional placing of the International Placing Shares through the International Placing Underwriters, acting on behalf of our Company and the Selling Shareholder, at the final Offer Price, (i) in the US with QIBs (as such term is defined in Rule 144A) in reliance on Rule 144A or another exemption from registration requirements under the US Securities Act, and (ii) outside the US in offshore transactions in reliance on Regulation S including professional, institutional and individual investors in Hong Kong as further described in the section headed "Structure and conditions of the Global Offering" in this prospectus
"International Placing Shares"	the 220,000,000 New Shares being offered by our Company for subscription and the 50,000,000 Sale Shares being offered by the Selling Shareholder for purchase under the International Placing (subject to the re-allocation as described in the section headed "Structure and conditions of the Global Offering" in this prospectus) together, where relevant, with any additional Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option
"International Placing Underwriters"	the underwriters of the International Placing Shares who are expected to enter into the International Placing Underwriting Agreement
"International Placing Underwriting Agreement"	the conditional underwriting agreement expected to be entered into on or about the Price Determination Date between, amongst others, our Company, the Selling Shareholder and the International Placing Underwriters relating to the International Placing, details of which are set forth in the section headed "Underwriting" in this prospectus
"JCH Enterprise"	JCH Enterprise Limited, a company incorporated in the Cayman Islands on 4 February 2003 with limited liability, wholly and beneficially owned by Mr. Chen and engaged in investment holding
"JCH Excluded Group"	includes JCH Enterprise, Chu Kong Zhangjiagang, Dalong Welding Material and Jinfeng Anti-Corrosion Material

"Jinfeng Anti-Corrosion Material"	廣州金豐防腐材料有限公司 (Guangzhou Jinfeng Anti-Corrosion Material Co., Ltd.*), a limited liability company established under the laws of the PRC on 19 October 2006 and an indirect wholly-owned subsidiary of JCH Enterprise whose permitted scope of business includes the production and processing of anti-corrosive and other related materials
"Joint Global Coordinators"	ICBCI and J.P. Morgan (Asia Pacific)
"Joint Lead Managers of the Hong Kong Public Offering"	ICBCI Securities and J.P. Morgan (Asia Pacific)
"Joint Lead Managers of the International Placing"	ICBCI Securities and J.P. Morgan
"Joint Sponsors"	ICBCI and Access Capital
"J.P. Morgan"	J.P. Morgan Securities Ltd., acting as one of the joint bookrunners of the International Placing and one of the Joint Lead Managers of the International Placing
"J.P. Morgan (Asia Pacific)"	J.P. Morgan Securities (Asia Pacific) Limited, a corporation licensed under the SFO permitted to carry on Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 7 (providing automated trading services) of the regulated activities (as defined in the SFO), and a restricted licensed bank under the Banking Ordinance (Cap. 155 of the Laws of Hong Kong), acting as one of the Joint Global Coordinators, one of the joint bookrunners of the Hong Kong Public Offering and one of the Joint Lead Managers of the Hong Kong Public Offering
"Latest Practicable Date"	23 January 2010, being the latest practicable date prior to the publication of this prospectus for ascertaining certain information contained in this prospectus
"Lessonstart"	Lessonstart Enterprises Limited, a company incorporated in BVI with limited liability on 18 May 1993 and a wholly-owned subsidiary of the Company engaged in investment holding
"Lessonstart Group"	includes Lessonstart, Crown Central, Lucknow, PCKSP, Hualong Anti-Corrosion, GPR Companies and CKSPG
"Listing"	the listing of our Shares on the Main Board
"Listing Date"	the date on which dealings in the Shares first commence on the Main Board, which is expected to be on or around Wednesday, 10 February 2010
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time

"Lucknow"	Lucknow Consultants Limited, a company incorporated in BVI with limited liability on 22 November 1994 and a wholly-owned subsidiary of the Company engaged in investment holding
"Main Board"	the main board of the Stock Exchange
"Mr. Chen"	Mr. Chen Chang (formerly known as Mr. Chen Jichang, alias David Chen), our chairman and an executive Director
"New Issue"	the issue of 250,000,000 New Shares under the Global Offering by our Company for subscription at the final Offer Price
"New Shares"	the 250,000,000 new Shares initially being offered at the final Offer Price by our Company under the Global Offering and, where relevant, any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option
"OFAC"	Office of Foreign Assets Control, an office within the United States Department of the Treasury that administers and enforces, pursuant to the US Economic Sanctions Laws, economic and trade sanctions based on US foreign policy and national security goals against targeted foreign states, organisations, entities, and individuals
"Offer Price"	the offer price for each Offer Share (excluding the Stock Exchange trading fee of 0.005%, the transaction levy of 0.004% imposed by the SFC and the related brokerage of 1%), which is expected to be not more than HK$6.15 and not less than HK$4.50. The final Offer Price is to be determined on or before the Price Determination Date
"Offer Shares"	the International Placing Shares and the Hong Kong Offer Shares together, where relevant, with any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option
"Over-allotment Option"	the option to be granted by our Company to the International Placing Underwriters, exercisable by J.P. Morgan (for itself and on behalf of the International Placing Underwriters), at any time from the Listing Date up to (and including) the 30th day after the last day for lodging of the Application Forms, to require our Company to allot and issue the Over-allotment Shares at the final Offer Price to cover over-allocations in the International Placing and/or the obligations of J.P. Morgan to return securities borrowed under the Stock Borrowing Agreement
"Over-allotment Shares"	up to an aggregate of 45,000,000 additional New Shares (representing 15% of the Offer Shares initially being offered under the Global Offering) which may be allotted and issued by our Company pursuant to the exercise of the Over-allotment Option
"PCKSP"	番禺珠江鋼管有限公司 (Panyu Chu Kong Steel Pipe Co., Ltd.*), a wholly foreign-owned enterprise established under the laws of the PRC on 7 June 1993 and a wholly-owned subsidiary of our Company principally engaged in manufacturing and sale of steel pipes

"PCKSP (Lianyungang)"	番禺珠江鋼管(連雲港)有限公司 (Panyu Chu Kong Steel Pipe (Lianyungang) Co., Ltd.*), a limited liability company established under the laws of the PRC on 8 July 2009 and a wholly-owned subsidiary of PCKSP principally engaged in manufacturing and sale of steel pipes
"PRC" or "China"	the People's Republic of China which, for the purpose of this prospectus, excludes Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan
"PRC EIT Law"	《中國人民共和國企業所得稅法》(The Enterprise Income Tax Law of the PRC*) promulgated by the National People's Congress on 16 March 2007 and became effective on 1 January 2008
"Price Determination Date"	the date on which the final Offer Price is to be determined by our Company (for ourselves and on behalf of the Selling Shareholder) and the Joint Global Coordinators (acting on behalf of all the Underwriters), which is expected to be on or around Tuesday, 2 February 2010 and in any event no later than Monday, 8 February 2010
"QIBs"	qualified institutional buyers within the meaning of Rule 144A
"Regulation S"	Regulation S under the US Securities Act
"Reorganisation"	the corporate reorganisation of our Group in preparation for the Listing, particulars of which are set forth under the paragraph headed "Corporate reorganisation" in Appendix VI to this prospectus
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"Rule 144A"	Rule 144A under the US Securities Act
"SAFE"	中國國家外匯管理局 (State Administration of Foreign Exchange of the PRC*)
"Sale Shares"	the 50,000,000 existing Shares being offered for sale by the Selling Shareholder at the final Offer Price under the International Placing
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended and supplemented from time to time
"Share(s)"	ordinary share(s) with a nominal value of HK$0.10 each in the capital of our Company
"Share Option Scheme"	the share option scheme conditionally adopted by our Company on 23 January 2010, the principal terms of which are set forth under the paragraph headed "Share Option Scheme" in Appendix VI to this prospectus
"Shareholder(s)"	holder(s) of our Shares

"Sinopec"	中國石油化工股份有限公司 (China Petroleum & Chemical Corporation*) and/or its subsidiaries, Independent Third Parties
"Stock Borrowing Agreement"	a stock borrowing agreement to be entered into between J.P. Morgan and Bournam on or around the Price Determination Date
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Substantial Shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"TGRC"	中國石油天然氣公司管材研究所 (Tubular Goods Research Centre of China National Petroleum Corporation*), an institution established by China National Petroleum Corporation specialising in scientific research and technical services in terms of oil tubular goods engineering and major activities of which include conducting scientific research on oil country tubular goods engineering, quality and technological supervision and engineering technological services
"Track Record Period"	the three financial years ended 31 December 2008 and the eight months ended 31 August 2009
"Underwriters"	the International Placing Underwriters and the Hong Kong Offer Underwriters
"Underwriting Agreements"	the International Placing Underwriting Agreement and the Hong Kong Underwriting Agreement
"United States" or "US" or "USA"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US$" or "US dollars"	United States dollars, the lawful currency of the United States
"US Securities Act"	the United States Securities Act of 1933, as amended from time to time, and the rules and regulations promulgated thereunder
"WTO"	World Trade Organisation
"%"	per cent.

The English names of the PRC entities, the PRC laws or regulations or the PRC government authorities mentioned in this prospectus and marked with "*" are translation or transliteration from their Chinese names and are for identification purposes only. If there is any inconsistency, the Chinese names shall prevail.

Unless the context requires otherwise, translation of US$ into HK$ and RMB into HK$ is made in this prospectus, for illustration purpose only, at the rates of US$1.00 = HK$7.80 and RMB1.00 = HK$1.14.

No representation is made that any amount in US$, HK$ or RMB could have been or could be converted at the above rate or at any other rate or at all.

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

Unless otherwise specified, all relevant information in this prospectus assumes no exercise of the Over-allotment Option.

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains explanations and definitions of certain terms used in this prospectus in connection with our Group and our business. The terms and their meanings may not correspond to standard industry meanings or usage of these terms.

"API"	the acronym for American Petroleum Institute, which is an independent standard and approval authority in the US that provides quality certification programmes, including the API Monogram Program, with regard to equipment, products and services relating to the oil and natural gas industry
"API Monogram"	API's mark which represents that quality of the products bearing mark has met with the relevant standards as laid down in the corresponding API Monogram Program
"API Monogram Program"	the API Monogram Equipment Licensing Program whereby companies are licensed to feature the API Monogram on their products subject, among others, to meeting certain quality standards as prescribed by API
"ASTM"	the acronym for American Society for Testing and Materials, an independent standard and approval authority in the US
"BSI"	the acronym for British Standards Institution, an independent standard and approval authority in the United Kingdom
"CAGR"	the acronym for compound annual growth rate
"DNV"	the acronym for Det Norske Veritas, which is an independent foundation offering certification and consulting services
"ERW steel pipe(s)"	steel pipes formed by utilising ERW technology
"ERW technology"	the acronym for electric resistance welding technology, a welding technology used in the manufacture of pipes under which pipes are made from strips of hot rolled steel coil which are passed through forming rolls and welded by using heat generated by high frequency electric current passing over the surface of the strips
"GDP"	the acronym for gross domestic product
"HKQAA"	the acronym for Hong Kong Quality Assurance Agency, an organisation established by the Hong Kong Government to provide quality system certification services
"ISO"	the acronym for International Organisation for Standardisation, a worldwide federation of national standards bodies, whose mission is to develop industrial standards that facilitate international trade
"ISO 9001"	the requirements specified by the ISO for a quality management system where an organisation needs to demonstrate its ability to consistently provide product that meets customer and applicable regulatory requirements, and aims to enhance customer satisfaction through the effective application of the system, including processes for continual improvement of the system and the assurance of conformity to customer and applicable regulatory requirements

"ISO 14001"	the requirements specified by the ISO for an environmental management system to enable an organisation to develop and implement a policy and objectives which take into account legal requirements and other requirements to which the organisation subscribes, and information about significant environmental aspects
"JCOE"	a production method for LSAW steel pipes pursuant to which steel plates will either pass through a continuous axis contorting (J-shape, C-shape and O-shape forming) process or a pre-bending and bending forming process, and then welded together as they are formed before the mechanical expansion
"km"	kilometre
"LSAW steel pipe(s)"	longitudinal submerged arc welded steel pipes which are formed by utilising the double-sided submerged arc welding technology with longitudinal weld seam, i.e. pipes made from strips of hot rolled steel plates which are welded as they are formed
"mm"	millimetres
"OHSAS"	the acronym for Occupation Health and Safety Assessment Series, a series of standards for health and safety management systems which are intended to help organisations to control occupational health and safety risks
"SAW steel pipe(s)"	steel pipes formed by utilising submerged arc welding technology
"seamless steel pipes"	pipes made from a solid steel block, known as billet, which is heated, then rotated under extreme pressure, which rotational pressure creates an opening in the centre of the billet, which is then shaped by a mandrel (a cylindrical tooling) to form a pipe
"sq.m."	square metre
"SSAW steel pipe(s)"	spiral submerged arc welded steel pipes which formed by utilising submerged arc welding technology with spiral weld seam, i.e., pipes made from strips of hot rolled steel plates formed helically into cylinders and then welded as they are formed. A pipe of any given size if produced as an SSAW pipe will have a longer (spiral) weld seam than if it is produced as an LSAW steel pipe
"submerged arc welding technology"	a welding technology used in the manufacture of pipes under which pipes are made from steel plates which are welded using heat supplied from electricity arcs from the electrodes to the strips. This technology is mostly used in the production of large size steel pipes
"tonne(s)"	metric tonne(s)
"UOE"	a production method for LSAW steel pipes pursuant to which steel plates will pass through both the U-shape and O-shape forming processes and then welded together as they are formed before the mechanical expansion
"X70" and "X80"	grades of steel plate or coil categorised according to the chemical composition and strength, with higher grades representing greater strength and pressure resistance

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements, including, without limitation, words and expressions such as "anticipate", "believe", "could", "expect", "going forward", "intend", "may", "plan", "seek", "will", "would" or similar words or statements, in particular, in the sections headed "Business" and "Financial information" in this prospectus in relation to future events, our future financial, business or other performance and development, the future development of our industry and the future development of the general economy of our key markets.

These statements are based on various assumptions regarding our present and future business strategy and the environment in which we will operate in the future. These forward-looking statements reflecting our current views with respect to future events are not a guarantee of future performance and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this prospectus and the following:

- our business and operating strategies and our ability to implement such strategies;
- our ability to further develop and manage our projects as planned;
- our dividend distribution plans;
- changes in policies, legislation, regulations, or practices in Hong Kong, the PRC or any other countries or territories in which we operate that may affect our projects;
- future developments and competitive environment for the PRC steel pipe industry;
- changes in economic conditions and competition in the cities in which we operate, including a downturn in general economy in China;
- exchange rate fluctuations and restrictions;
- catastrophic losses from fires, floods, windstorms, earthquakes, diseases or other adverse weather conditions or natural disasters; and
- other factors beyond our control.

Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section.

In this prospectus, unless otherwise stated, statements of or references to our intentions or those of any of our Directors are made as at the date of this prospectus. Any such intentions may change in light of future developments.

Prospective investors should consider carefully all the information set forth in this prospectus and, in particular, should consider the following risks and special considerations in connection with an investment in our Company before making any investment decision in relation to the Offer Shares. The occurrence of any of the following risks may have a material adverse effect on the business, results of operations, financial conditions and future prospects of our Group. Additional risks not currently known to us or that we now deem immaterial may also harm us and affect your investment.

This prospectus contains certain forward-looking statements regarding our plans, objectives, expectations, and intentions which involve risks and uncertainties. Our Group's actual results could differ materially from those discussed in this prospectus. Factors that could cause or contribute to such differences include those discussed below as well as those discussed elsewhere in this prospectus. The trading price of the Offer Shares could decline due to any of these risks and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS

Change of rules and regulations, including anti-dumping and countervailing measures, by foreign countries may affect our exports sales into those countries.

We export a significant volume of steel pipe products during the Track Record Period. For each of the three years ended 31 December 2008 and the eight months ended 31 August 2009, exports sales accounted for approximately 45.5%, 54.5%, 52.3% and 62.8%, respectively, of our total revenue. Exports sales accounted for approximately 62.5% of our unaudited total revenue for the eleven months ended 30 November 2009. Any change of rules and regulations by foreign countries may affect our sales to those countries. Further, due to heightened competition in international trade, foreign countries may from time to time impose anti-dumping or countervailing measures or other trade restrictions such as imposition of duties on any goods exported by the PRC (including our steel pipe products) so as to protect their own industries. The EU has imposed anti-dumping duties on steel pipes and tube and pipe fittings produced in the PRC pursuant to Council Regulation 1256/2008 with effect from 20 December 2008, Council Regulation 926/2009 with effect from 7 October 2009, and Council Regulation 803/2009 with effect from 5 September 2009. For details, please refer to the paragraph headed "Anti-dumping duties in the EU" in the section headed "Industry overview" in this prospectus. The United States also has several anti-dumping and countervailing orders and investigations in place in relation to certain steel pipes and pipe fittings and also oil country tubular goods manufactured in the PRC.

However, based on《關於美國對我國石油管材產品及輪胎產品案件應對工作的通知》(Notice of Response concerning the Cases of the United States of America on Petroleum Pipe Products and Tire Products in the PRC*) promulgated by 廣州市對外貿易經濟合作局 (Foreign Trade and Economic Cooperation Bureau of Guangzhou City*) on 8 May 2009, our steel pipe products are not listed as covered by the pending anti-dumping and countervailing case on oil country tubular goods under such anti-dumping or countervailing investigation. On 30 December 2009, the ITC determined in Investigation No.701-TA-463 that a US industry is materially injured or threatened with material injury by reason of imports of certain oil country tubular goods from China that the DOC determined are subsidised in the DOC Notice Number C-570-944. As a result of the ITC's affirmative determination, the DOC issued a countervailing duty order on imports of these products from China on 20 January 2010. Countervailing duty rates determined by the DOC range from 10.36% to 15.78%, while the applicable rate for companies not investigated by the DOC is 13.20%. A parallel anti-dumping proceeding is still pending at the DOC and the ITC with final disposition expected in May 2010. That proceeding may result in additional duties. For details of the above orders and investigations, please refer to the paragraph headed "Anti-dumping and countervailing duties in the United States" in the section headed "Industry overview" in this prospectus. To the best of their knowledge after making all reasonable enquiries (including conducting market researches and making consultation with our sales agents), our Company and Directors are not aware that any of our steel pipe products that were shipped to the United States or the EU where anti-dumping and countervailing measures were in place during the Track Record Period and up to the Latest Practicable Date were among those products targeted by the US and EU anti-dumping and countervailing measures. In addition, to the best of their knowledge after making all reasonable enquiries, our

Company and Directors are not aware that any of our steel pipe products that were shipped to countries other than the United States or the EU that have relevant anti-dumping and countervailing measures in place were among those products targeted by such relevant anti-dumping and countervailing measures in those other countries. Our Directors have further confirmed that, to the best of their knowledge, they are not aware of any particular orders, rules and regulations or investigations in any other foreign countries which may affect our exports sales. As we intend to continue to further explore overseas markets for steel pipes, and we expect exports sales to contribute to a significant portion of our revenue, any anti-dumping or countervailing measures against any of our steel pipe products in any foreign countries to which we sell such products may have an adverse impact on our revenues, cost of sales and profits. However, we cannot assure you that these foreign countries will not initiate any anti-dumping or countervailing investigations or that our steel pipe products, though currently not subject to any applicable anti-dumping or countervailing orders or rules, will not be so included in the future.

In addition, due to the imposition of anti-dumping and countervailing measures in various countries, including the United States and the EU, it may be anticipated that some of our competitors (be they in the PRC or otherwise) may attempt to avoid or minimise their risk exposure to these measures by, among other means, shifting their sales to those markets which do not have anti-dumping and countervailing measures from the original targeted United States or EU markets and/or dumping their steel pipe inventories with substantial price cut and/or switching their productions to those LSAW steel pipes with specifications not falling under the scope of the relevant anti-dumping measures, leading to more intense competition in steel pipe market. In addition, any duties imposed by such anti-dumping and countervailing measures may increase the price of our exported products as compared to those of our competitors from other countries that are not subject to such anti-dumping and countervailing measures. As a result, our competitiveness against such other foreign pipe manufacturers may be adversely affected which may lead to decrease in our exports sales and increase in our cost of sales.

Further, to the best knowledge of our Directors, under the anti-dumping rules of the EU and the United States, the PRC may be treated as a "non-market economy" and, as a result, may be subject to special rules in determining whether imports of products from the PRC constitute dumping and in determining anti-dumping duty rates. For details, please refer to the paragraph headed "Anti-dumping determination and "non-market economy"" in the section headed "Industry overview" in this prospectus. As a result of these special rules, if an anti-dumping investigation is initiated with respect to products from the PRC, the proceeding is more likely to result in a finding of higher dumping margins. As such, if any of our Company's products is subject to any anti-dumping proceeding, our exports sales and cost of sales may be adversely affected.

We may not be able to secure sales orders for new projects through tenders or from new and/or existing customers.

A significant portion of our revenue is generated from pipeline or other infrastructure projects that are mainly project-originated and non-recurring in nature. Our sales in the domestic market are mainly made through open or invited tenders or through direct sales. Our Group also cooperates with the Principal Contractors (as defined in the section headed "Business" in this prospectus) to participate in the tenders of the supply of our steel pipe products in overseas projects. We will provide our commercial proposals in relation to the supply of our steel pipe products to the Principal Contractors, who would then submit bidding documents for the relevant projects. As such, our financial performance may be dependent on our ability to maintain our bidding eligibility, submit competitive bids and continually secure sales orders.

During the eight months ended 31 August 2009, the sales volume of our ERW steel pipes increased by approximately 351.5% and the average selling price increased by approximately 78.3% as compared to those for the eight months ended 31 August 2008, which is mainly attributable to our success in our bid to secure big orders for an aggregate of over 44,000 tonnes of ERW steel pipes from a major customer in the Sultanate of Oman, which our Group has two years' trade relationship with, in July 2008 with a higher average selling price as a result of the customer's special technical requirement for anti-corrosive ERW steel pipes. The revenue generated from the manufacture and sale of such ERW steel pipes to the major customer in the Sultanate of Oman was approximately RMB550.5 million for the eight months ended 31 August 2009 and all the ERW steel pipes in relation to such sales order were delivered during the eight months ended 31 August 2009. Following the completion of this sales order and up to the Latest Practicable Date, our Group did not secure any recurring sales order from that major customer in the Sultanate of Oman and there had been no further sales orders placed by that major customer in the Sultanate of Oman or other customers for similar ERW steel pipes. Due to our project originated business model, our Directors are not in the position to comment on whether our Group will be able to obtain recurring or further sales orders for similar kind of ERW steel pipes from this major customer in the Sultanate of Oman in the future. If our Group fails to obtain the sales for similar kind of ERW steel pipes from such or other customers, our revenue from manufacture and sale of ERW steel pipes may decrease significantly in the coming year and the profitability of our Group in the future may be inevitably deteriorated.

We cannot assure you that we will be able to continuously and consistently secure new sales orders from new customers or that these sales orders will be profitable or to secure new sales orders from our existing customers. If we are unable to secure new profitable sales orders, our Group's business, financial condition and results of operations may be adversely affected.

We rely on our key management personnel.

Our success is, to a significant extent, attributable to the management skill and sales experience of Mr. Chen, the chairman of our Company and Ms. Chen Zhao Nian and Ms. Chen Zhao Hua, all being our executive Directors. They have been playing a significant role in the development and daily operations of our Group. Each of our executive Directors has entered into a service contract with our Company for an initial fixed term of three years which will commence on 1 February 2010. Should any of them leave our Group and we are unable to find any suitable replacement, our business may be adversely affected.

In addition, we value the contribution of our senior management and technical staff. We believe our remuneration packages and incentive schemes are sufficient to retain our senior executives and technical personnel. Nevertheless, there is no assurance that our Group will be able to retain or hire qualified management and technical personnel at all times in the future. If we encounter any difficulty in recruiting or retaining competent personnel to manage our business operation as well as to market and sell our products, our operations and business may be adversely affected.

We rely on supply of principal raw materials and a decreased supply of raw materials may adversely affect our operations.

Our Group's production requires the supply of raw materials comprising primarily steel plates and steel coils. Most of the steel plates and steel coils used by our Group are purchased from suppliers in the PRC. As our Group maintains close business relationships with a number of suppliers for principal raw materials and we purchase a large proportion of raw materials from them directly, our Directors believe that we can benefit from assured and in-time deliveries. In each of the three years ended 31 December 2008 and the eight months ended 31 August 2009, the five largest suppliers, together, accounted for approximately 56.4%, 56.7%, 47.4% and 58.5% respectively, and the largest supplier accounted for approximately 20.8%, 17.4%, 13.3% and 20.7% respectively of our Group's total purchases of raw materials, including steel coils and plates. For each of the three years ended 31 December 2008 and the eight months ended 31 August 2009, cost of steel plates and steel coils accounted for approximately 90.4%, 90.9%, 91.7% and 90.6%, respectively, of our total cost of sales. Given that our production depends on the supply of steel plates and steel coils, our Group's business may be affected by decreases in the supply of such raw materials.

Our Directors consider that most of the raw materials used by our Group are readily available from suppliers in the PRC market. As our steel pipe products are produced based on committed orders from our customers with different specifications such as length, outside diameters, wall thickness and quality of steel to be used, we order our raw materials on a case-by-case basis according to our customers' needs. We have not entered into any long-term supply agreement with any of our suppliers in relation to the supply of raw materials and there is no assurance that our Group will be able to secure stable and sufficient supply of raw materials including steel coils and steel plates (or at a stable price) from these suppliers in the future. During the Track Record Period, we did not experience any material shortage of steel coils or steel plates. However, the supply of our steel plates and steel coils may be affected by factors that are beyond our control, such as the changes in the rules and regulations in the PRC including《鋼鐵產業調整和振興規劃》(Blueprint for the Adjustment and Revitalization of the Steel Industry*) and《國務院批轉發展改革委等部門關於抑制部分行業產能過剩和重複建設引導產業健康發展若干意見的通知》(國發 [2009]38號) (Circular of the State Council on the Approval on Some Opinions Given by the National Development and Reform Commission and Other Departments on Containing Surplus Production Capacity and Repetitive Construction in Certain Industries and Facilitating Healthy Industrial Development (Guo Fa [2009] No. 38)*), and any fluctuations in the supply of steel may adversely affect our operations and financial conditions. For details of these PRC laws and regulations, please refer to the paragraph headed "PRC laws and regulations governing the steel industry" in the section headed "Industry overview" in this prospectus. As such, we cannot assure you that we will continue to have steady and adequate supply of raw materials in the future. If we are unable to secure steady and adequate supply of raw materials (and in time deliveries thereof), our Group's business, financial condition and results of operations may be adversely affected.

We derive a significant portion of our total revenue from a few customers.

Our ability to maintain close and mutual beneficial relationships with our customers is important to our ongoing growth and profitability. Although our Group's sales to specific customers vary from year to year and our customer base is diverse and broad, we derive a significant portion of our total revenue from a few major customers. For each of the three years ended 31 December 2008 and the eight months ended 31 August 2009, our five largest customers accounted for approximately 48.1%, 37.1%, 48.0% and 57.1%, respectively, of our revenue. For the same period, our largest customer accounted for approximately 18.8%, 9.2%, 14.0% and 27.2% of our revenue respectively.

There is no assurance that any of our major customers will continue to purchase products from us at the same level, or at all, as they have done so historically. Should any of our major customers materially reduce their purchases from us or terminate their business relationships with us, our business and financial performance may be adversely affected.

We derive a significant portion of our revenue from a single or a few market(s).

The following table shows the breakdown of our revenue by geographical area for each of the three years ended 31 December 2008 and the eight months ended 31 August 2009:

	Year ended 31 December						Eight months ended 31 August	
Market	**2006**		**2007**		**2008**		**2009**	
	RMB'000	*% of revenue*	*RMB'000*	*% of revenue*	*RMB'000*	*% of revenue*	*RMB'000*	*% of revenue*
Mainland China	599,523	54.5	663,590	45.5	1,252,643	47.7	752,700	37.2
America	145,507	13.2	291,498	20.0	613,451	23.3	164,105	8.1
European Union	217,104	19.8	11,803	0.8	61,742	2.4	97,466	4.8
Middle East	13,699	1.2	225,085	15.4	325,639	12.4	718,947	35.6
Other Asian countries	80,351	7.3	155,485	10.7	290,856	11.1	185,033	9.2
Others	43,557	4.0	110,567	7.6	80,308	3.1	103,052	5.1
	1,099,741	100.0	1,458,028	100.0	2,624,639	100.0	2,021,303	100.0

Our sales were highly concentrated in one or a few market(s) during the Track Record Period. As shown above, approximately 54.5%, 45.5%, 47.7% and 37.2% of our total revenue were generated from the customers in the PRC for each of the three years ended 31 December 2008 and the eight months ended 31 August 2009, respectively. Moreover, during the eight months ended 31 August 2009, our sales to the Middle East increased significantly and accounted for approximately 35.6% of our total revenue during that period. For our sales to the PRC market, although there was a decreasing trend in the proportion of revenue generated from the PRC customers during the Track Record Period, we believe that we are still heavily dependent on the general economic conditions in the PRC for our continued growth especially in view of the recent development of our business in infrastructure and construction projects in the PRC. Though we exported an increasing portion of our steel pipe products to more than 50 overseas countries and regions and the sales thereof accounted for approximately 45.5%, 54.5%, 52.3% and 62.8%, respectively, of our total revenue for each of the three years ended 31 December 2008 and the eight months ended 31 August 2009, our sales to the Middle East market accounted for a large portion of our total exports sales during the eight months ended 31 August 2009. Although our level of reliance on the PRC market had generally been decreasing during the Track Record Period, we expect that the PRC market will continue to be our single principal market. If sales to customers are being weighed or analysed on a country-to-country basis, no other country could prevail over the PRC as our Group's origin of revenue and income contribution. The pace of economic growth in the PRC has slowed down since the fourth quarter of 2008. The PRC government, along with a number of leading countries around the world, expressed its concern that the PRC's GDP would grow at a lower rate in 2009 or beyond than in the past. We cannot assure you that the PRC's economy will continue to grow or that its growth will be steady or occur in the geographical regions or economic sectors from which we benefit. Should there be any material adverse change in the political, economic, legal or social conditions in the PRC and we are unable to divert sales to other markets outside the PRC, our revenue, profitability and prospects may be adversely affected.

We did not formally adopt any hedging policy to protect ourselves against any fluctuations in foreign exchange rate.

During the Track Record Period, our exports sales increased by 58.8% from approximately RMB500.2 million for the year ended 31 December 2006 to approximately RMB794.4 million for the year ended 31 December 2007 and by 72.7% from that for the year ended 31 December 2007 to approximately RMB1,372.0 million for the year ended 31 December 2008. Also, our exports sales increased by 62.4% from approximately RMB781.2 million for the eight months ended 31 August 2008 to approximately RMB1,268.6 million for the eight months ended 31 August 2009. As a result of our increasing exports sales, during the Track Record Period, we entered into a few hedging transactions for amounts denominated in US dollars to be settled in more than three months without formally adopting any hedging policy to protect ourselves against any fluctuations in foreign exchange rate. Such hedging transactions are governed by certain foreign currency forward contracts we entered into with a domestic bank in the PRC, with a total contract sum of approximately US$7.2 million and pursuant to which we were required to purchase the equivalent amount of Renminbi at a fixed exchange rate on certain specified future dates by settlement denominated in US dollars. The relevant transactions were entered into and fully settled in 2008. A loss of approximately RMB768,000 is recorded in the item of exchange loss in our Group's statements of comprehensive income included in the accountants' report as set out in Appendix I to this prospectus. Except as aforesaid, our Group had not entered into any hedging transactions during the Track Record Period and we did not have any outstanding hedging contracts as at the Latest Practicable Date.

As such we may continue to be subject to foreign exchange risk and our results may be adversely affected in the event that our revenue contribution from our exports sales continuously increases while Renminbi continuously appreciates against US dollars in the future.

We relied on bank borrowings during the Track Record Period and may continue to depend on bank borrowings in the near future for our operations.

During the Track Record Period, our operations were partly financed by bank borrowings. As at 31 December 2006, 2007 and 2008 and 31 August 2009, our bank borrowings, which included both short-term and long-term borrowings, amounted to approximately RMB680.5 million, RMB1,081.1 million, RMB748.7 million and RMB727.7 million, respectively. As disclosed in the section headed "Future plans and use of proceeds" in this prospectus, we intend to use approximately HK$62.3 million (equivalent to approximately RMB54.7 million) from the net proceeds from the New Issue to repay certain bank borrowings of our Group. During the Track Record Period, total banking facilities available to our Group amounted to approximately RMB826.0 million, RMB1,438.3 million, RMB1,484.6 million and RMB1,977 million, respectively, of which approximately RMB237.6 million, RMB402.1 million, RMB756.7 million and RMB1,235.9 million, respectively, were not utilised. Cash and cash equivalents as at 31 December 2006, 2007 and 2008 and 31 August 2009 amounted to approximately RMB115.2 million, RMB149.8 million, RMB160.2 million and RMB217.3 million, respectively. We expect to fund our business operations and capital expenditure through internally-generated fund as well as bank borrowings after the Listing. While our Directors anticipate that with the net proceeds from the New Issue, our reliance on bank borrowings would reduce, we may still require bank borrowings (either by renewal of existing short-term loans or obtaining new facilities) to finance our business operations and expansion plans.

As at 30 November 2009, being the latest practicable date for the purpose of ascertaining our indebtedness position, the amount of our indebtedness amounted to approximately RMB769.0 million. As at 31 December 2006, 2007 and 2008 and 31 August 2009, the gearing ratios of our Group were approximately 63.3%, 62.7%, 38.8% and 35.1%, respectively, which were calculated based on the summation of bank borrowings, government loans and amounts due to Mr. Chen divided by total assets. There is no assurance that we will always be able to borrow from banks and other financial institutions to finance our business, operations and capital expenditure. In the event that the banks and other financial institutions providing existing banking and credit facilities do not continue to extend similar or more favourable facilities to us and we fail to obtain alternative banking and credit facilities on comparable terms, our business and financial position may be adversely affected.

We lack proper title certificates for certain properties in the PRC.

Of the 16 major buildings and structures in our factory complex in Shiji Town, Panyu, Guangdong Province, the PRC that we own and occupy, we have not obtained valid building ownership certificates for 10 buildings and structures with a total gross floor area of approximately 27,302 sq.m., including a backup workshop, an anti-corrosive production plant, a ERW steel pipes ancillary workshop and other supporting facilities. Our Group has applied to the relevant authorities for the building ownership certificates for these buildings and structures. As advised by our legal advisers as to PRC law, as PCKSP had started using such buildings and structures before completion of the required inspection, our Group may be subject to a fine of 2% to 4% of the value of the project contract, which our Directors estimate the maximum amount of such fine is approximately RMB400,000 (equivalent to approximately HK$456,000). If there is any change of the position of the relevant local authorities regarding issuance of such certificates, our Group may incur an additional estimated cost of approximately RMB8 million to re-construct these buildings and structures. Moreover, we have not yet obtained the valid building ownership certificate for a new workshop located in Shiji Town, Panyu, Guangdong Province, the PRC with a gross floor area of approximately 9,993.6 sq.m., as it is still under construction. If we are evicted from the above properties for such non-compliance or the lack of valid certificate, our business operations may be disrupted and our financial performance may be adversely affected.

Failure to exercise tight credit and inventory control may adversely affect our results.

Given that we produce our steel pipe products based on the committed orders from our customers with different specifications and that as we order our raw materials on a case-by-case basis according to our customers' needs, and we are usually required to make a prepayment representing 10% to 30% of the total purchase amounts to secure the raw material supply contract, we may be exposed to mis-alignments in the cost of steel pipes used for a particular project or order and may experience tightening liquidity. As such, our Directors consider the exercise of tight credit and inventory control as two of the principal factors which will affect our financial performance. The debtor's turnover days for each of the three years ended 31 December 2008 and the eight months ended 31 August 2009 were 42 days, 56 days, 36 days and 49 days, respectively, and the inventory turnover days for the same period were 95 days, 100 days, 100 days and 94 days, respectively. In the event of any adverse changes in market conditions of the supply and demand for our Group's principal products or major raw materials which affect our exercise of tight credit or inventory control, the results of our Group may be adversely affected.

Moreover, we have since January 2008 installed an enterprise resource planning system (the "**ERP System**"), through which we can plan and monitor properly our production schedules, raw material procurement and inventory management to enhance our inventory control. In the event of any failure in the implementation and continuous use of the ERP System, our inventory management and hence our results may be adversely affected.

A material disruption to our operations may adversely affect our revenue and profits.

Our operations are subject to uncertainties and contingencies beyond our control that may result in material disruptions, preventing us from meeting customer orders, increase our costs of production and consequently adversely affect our revenue and profits. In particular, our operations require complex production facilities and specialised manufacturing equipment. Our production facilities require periodic shutdowns for regular maintenance, repair and mould and tooling changes to accommodate different specification of steel pipes as required. Events such as industrial accidents, fires, floods, droughts, natural disasters and other catastrophes, equipment failures or other operational problems that increase our equipment downtimes, strikes or other labor difficulties and disruptions of public infrastructure such as roads, ports or pipelines may occur in our existing production lines housed in the factory blocks at our principal production base in Panyu, Guangdong Province, the PRC and Jiangyin, Jiangsu Province, the PRC as well as in future our new production base in Lianyangang, Jiangsu Province, the PRC. If any of such events happen in those areas, our production may be materially disrupted, which may adversely affect our business and financial performance.

We may not be able to renew certifications which are significant for our operations.

We have been awarded certifications from certain recognised institutions, such as API and DNV which certify the satisfaction of the quality standards for our steel pipe products or our operational management standard. Information of these awards and certifications are set out under the paragraph headed “Awards and recognitions” in the section headed “Business” in this prospectus. We rely on such certifications as the API and DNV standards are generally accepted by most oil, petrochemical and natural gas companies worldwide, including our existing customers and potential clients. However, we cannot assure you that we can continue to obtain or renew such certifications in the future. In the event that we fail to obtain or renew any such certifications, our ability to market our steel pipe products may be adversely affected, and our results of operations may also be materially and adversely affected.

We may not be able to maintain our profit margin in the future.

We achieved gross profit margin in an increasing trend of approximately 16.4%, 18.2%, 20.5% and 22.2% for each of the three years ended 31 December 2008 and the eight months ended 31 August 2009, respectively. Moreover, for the same period, our profit for the year was approximately RMB38.0 million, RMB70.4 million, RMB275.5 million and RMB301.2 million, respectively, representing net profit margin of approximately 3.5%, 4.8%, 10.5% and 14.9%, respectively. There is no assurance that we will be able to maintain or improve the gross profit margin and net profit margin as in the Track Record Period.

We may not be able to sustain our rapid business growth that we have experienced during the Track Record Period.

We have been expanding our business rapidly and intend to continue to do so in future. Our gross profit increased from approximately RMB179.9 million for the year ended 31 December 2006 to approximately RMB537.0 million for the year ended 31 December 2008, representing a CAGR of approximately 72.8%. Our profit for the year increased from approximately RMB38.0 million for the year ended 31 December 2006 to RMB275.5 million for the year ended 31 December 2008, representing a CAGR of approximately 169.3%. In order to sustain such growth, we would need to implement our business plans effectively, maintain a resilient workforce, manage our costs effectively and exercise adequate control and reporting systems in a timely manner. There is no assurance that we will continue to maintain such rapid business growth in the future.

We may not be able to implement our future plans successfully.

Further expansion of production capacity is a key to our success. Our planned expansion requires us to identify suitable locations that are in close proximity to raw material sources or transportation networks. However, even if we successfully identify suitable locations, we may be unable to expand our business if we cannot compete effectively in the market.

In January 2008, GPR Steel Pipe established a branch office at Zhangjiagang in Jiangsu Province, the PRC and leased a factory complex (comprising a parcel of land with two major buildings and structures erected thereon) for a JCOE production line in Zhangjiagang, Jiangsu Province, the PRC. However, due to the lessor's failure in providing valid title certificates or other relevant documents evidencing that the lessor has the requisite title or right to lease the property to us, the lease agreement has not been duly registered in compliance with the PRC law and as such and taking into account of the costs which may be involved in relocating the JCOE production line, we disposed of our JCOE production line and the related ancillary production facilities then located in the Zhangjiagang facilities to an Independent Third Party upon the expiry of the relevant lease agreement in August 2009 and recorded a gain from disposal.

For the year ended 31 December 2008, the annualised utilisation rate of our UOE, JCOE (Panyu), JCOE (Zhangjiagang) (now disposed) and ERW steel pipes production lines reached approximately 76%, 114%, 98% and 51%, respectively. For the eight months ended 31 August 2009, the annualised utilisation rate of our UOE, JCOE (Panyu), JCOE (Zhangjiagang) (now disposed) and ERW steel pipes production lines was 72%, 89%, 74% and 122%, respectively. As disclosed under the paragraphs headed "Our strategies" in the section headed "Business" and the section headed "Future plans and use of proceeds" in this prospectus, we plan to expand our production capacity by establishing three new production lines for LSAW steel pipes and modifying and upgrading our existing facilities for the production of steel pipes in order to increase and enhance our production efficiency and capacity. The successful implementation of such plan will depend on a number of factors that are both within and beyond our control, including but not limited to our ability to manage our expansion, our ability to achieve operational efficiencies and any unforeseen difficulties which may arise in the relocation and setting up new production lines or the re-engineering and modification of our existing production facilities.

Furthermore, we plan to expand our overseas distribution network by seeking for cooperation with international steel pipe distributors as well as hiring experienced sales personnel from overseas and establishing new marketing team in order to tap the business potential in overseas market. However, there is no assurance that we could identify suitable overseas distributors and sales professionals to carry out such expansion plan.

There is no assurance that our future plans can be successfully implemented. If we fail to implement the above-mentioned plans, our overall expansion and marketing strategy, financial conditions and results of operations may be adversely affected.

We could become involved in intellectual property disputes.

The production of our steel pipe products involves the use of various intellectual property rights. We seek to protect our intellectual property rights by relying on laws and regulations such as patent law and trademark law of the PRC.

Despite our efforts to protect our proprietary rights by obtaining due registration of such intellectual property rights, it is possible that third parties will use our intellectual property without authorisation. Since we operate in a legal regime that is still developing, the protection and enforcement of our intellectual property rights may not be as effective as in countries with more mature legal systems. The steps we have taken may be inadequate to prevent the misappropriation of our proprietary technology and design. Any unauthorised use or infringement of our Group's intellectual property rights may have an adverse impact on our business. From time to time, we may have to resort to litigation to enforce our intellectual property rights, which may involve significant costs.

On the other hand, there is no assurance that infringement claim against us from third parties will not occur. Should any infringement claim against us from third parties occur, we may incur significant legal expenditure to defend our rights and interests or be required to pay substantial damages and be forced to develop non-infringing technology or obtain licences for such technology. We may not be able to develop non-infringing technology or obtain licences acceptable to our Group and, as a result, our business may be adversely affected.

There is no assurance that we will not be involved in intellectual property disputes in the future. For details of our intellectual property rights, such as date(s) of registration/application and/or duration of validity of the trademarks and patents, please refer to the paragraph headed "Intellectual property rights of the Group" in Appendix VI to this prospectus.

We have experienced net cash outflow from operating activities in the year ended 31 December 2007 and recorded net current liabilities as at 31 December 2007.

We had net cash outflows from operating activities of approximately RMB226.1 million for the year ended 31 December 2007 which was primarily attributable to the fact that we increased the purchase of principal raw materials as a result of the increase in sales orders received in the fourth quarter of 2007. As such, our stock balances and prepayments paid to our suppliers for securing the raw material supply contracts as at 31 December 2007 increased substantially by approximately 90.6% and 113.6%, respectively, from that as at 31 December 2006.

Moreover, we had net current liabilities of approximately RMB223.3 million as at 31 December 2007, which was principally ascribed to the reclassification of the current portion of long term bank loans of approximately RMB270.7 million from non-current liabilities as at 31 December 2006 to current liabilities as at 31 December 2007.

We cannot assure you that we will not experience periods of net operating cash outflow and/or net current liabilities in the future. If we continue to have net current liabilities in the future, our working capital may be subject to constraints. If we continue to have net operating cash outflow in the future, it could have a material adverse effect on our business, financial condition, results of operations and prospects. If we fail to raise necessary funding by borrowings from banks to finance our business operations and capital expenditure (when required) or if we are unable to secure renewal of or increase in credit facilities with existing lenders and if alternative lenders are not available or are only available on terms that are commercially less favourable to us, our business and financial position may be adversely affected.

For further details of the indebtedness and liquidity, financial resources and capital structure of our Group, please refer to the section headed "Financial information" in this prospectus. There is no assurance that we will always be able to maintain a net current assets position in the future.

Our historical dividends may not be indicative of our future dividends.

Dividends may be paid only out of our distributable profits as permitted under the relevant laws. Our ability to pay dividends will therefore depend on our ability to generate sufficient distributable profits.

In February 2009 and April 2009, Lessonstart declared a special dividend of a total sum of HK$56.4 million to its then sole shareholder, namely, Bournam. There can be no assurance that in the future we will pay dividends at a similar level to the past or at all, and potential investors should be aware that the amount of dividends we paid in the past should not be used as a reference or basis upon which future dividends are determined. The payment and the amount of any dividends in the future will depend on various factors, including but not limited to, the results of operations, cash flows, financial position, statutory and regulatory restrictions on the payment of dividends by us and future prospects.

In addition, to the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations and may therefore limit our further development. Therefore, there can be no assurance that we will declare dividends at all in the future. Future dividends, if any, will be at the discretion of the Board and will depend upon our future results of operations, capital requirements, general financial position, legal and contractual restrictions and other factors the Board may deem relevant.

It may be difficult to effect service of process upon us or our Directors or senior officers who reside in the mainland China or to enforce against them in the mainland China any judgements obtained from non-PRC courts.

A significant portion of our assets and our subsidiaries are located in the PRC. In addition, most of our Directors and senior officers reside in the PRC, and the assets of our Directors and officers may also be located in the PRC. As a result, it may not be possible to effect service of process outside the PRC upon most of our Directors and senior officers, including with respect to matters arising under applicable securities laws. A judgement of a court of another jurisdiction may be reciprocally recognised or enforced in the PRC if that jurisdiction has a treaty with the PRC or if judgements of the PRC courts have been recognised before in that jurisdiction, subject to the satisfaction of any other requirements. Recognition and enforcement in the PRC or Hong Kong of judgements of a court in these other jurisdictions in relation to any matter not subject to a binding arbitration award are uncertain.

In addition, our Shareholders will not be able to bring any action on the basis of violations of the Listing Rules and must rely on the Stock Exchange to enforce its rules. Furthermore, the Hong Kong Codes on Takeovers and Mergers and Share Repurchases do not have the force of law and provide only standards of commercial conduct considered acceptable for takeover and merger transactions and share repurchases in Hong Kong.

Our business and reputation may be affected by product liability claims, litigation, complaints or adverse publicity.

Our Directors currently have not taken out any product liability insurance and have not implemented any other protection scheme as it is our clients' practice that insurance, covering liability arisen from our products' defects, will be purchased on their own. If our steel pipe products do not meet the specifications and requirements agreed with or requested by our customers, or if any of the our steel pipe products are defective, such failure or defects, and any complaints or negative publicity resulting therefrom, could result in decreased sales of these or other products, and we may also be subject to product liability claims and litigation. To this end, we may incur significant legal costs regardless of the outcome of any claim of alleged defect. If we face any product liability claims, our business, financial condition and results of operations may be materially and adversely affected.

We may be unable to recover retention money from our customers.

Customary in our industry, a portion of the contracted value, which is generally 2% to 10% of the contracted value, will usually be withheld by our customers as retention money for a warranty period ranging from six months to 18 months after the delivery of our steel pipe products as a warranty provision against any major quality defects in the products we have sold. Pursuant to the sales contracts with our domestic customers, such retention money will be paid or released if during the warranty period (generally six months to 18 months after the inspection and acceptance of our steel pipe products), our steel pipe products do not manifest any major quality problem. During the Track Record Period, we recovered all of the money retained by our customers pursuant to this warranty arrangement as it came due, and we currently expect to recover all such retained amounts outstanding as of the Latest Practicable Date.

There can be no assurance, however, that we will be able to recover all or any of the amounts retained by our customers for warranty purposes in future. If we are unable to recover a significant portion of the amounts retained by our customers, our future financial condition and results of operations may be materially and adversely affected.

We may continue to engage in certain sales of products to third parties for end-use by countries, governments, entities, or persons targeted by United States economic sanctions.

The US Department of the Treasury's Office of Foreign Assets Control, or OFAC, administers certain laws and regulations, or US Economic Sanctions Laws, that impose restrictions upon US persons and, in some instances, foreign entities owned or controlled by US persons, with respect to activities or transactions with certain countries, governments, entities and individuals that are the subject of US Economic Sanctions Laws, or Sanctions Targets. US persons are also generally prohibited from facilitating such activities or transactions. Neither we nor the Selling Shareholder will use any net proceeds from the New Issue to fund any activities or business with any Sanctions Targets with respect to activities or transactions prohibited by US Economic Sanctions Laws. In the Track Record Period, we sold a portion of our steel pipe products to companies which we understand used such products in connection with projects for Sanctions Targets; we also made limited sales directly to entities in Sanctions Targets. To the best knowledge of our Directors, for each of the three years ended 31 December 2008 and the eight months ended 31 August 2009, our indirect and direct sales to Sanctions Targets, including Burma, Sudan and Iran, accounted for approximately 4.9%, 0.3%, 1.4% and

5.3%, respectively, of our total revenue. We believe that US Economic Sanctions Laws under their current terms are not applicable to our activities. We cannot assure you that we will not have any sales of our steel pipe products, directly or indirectly, to Sanctions Targets in the future. If such transactions occur in the future, our reputation could be adversely affected, some of our US investors may be required to sell their interests in our Company under the laws of certain US states or under internal investment policies or may decide for reputational reasons to sell such interests, and some US investors may forgo the purchase of our Shares, all of which could materially and adversely affect the value of our Shares and your investment in us.

We may be affected by the relationships between PRC and foreign countries from which PRC sources oil and gas.

Our steel pipe products have a wide scope of applications and a majority of them are sold to enterprises in the oil, petrochemicals and natural gas industry for use as pipes for transmission of oil, petrochemicals, natural gas, city gas and coal slurry, or as casing pipes for oil wells in the PRC and in Middle East, European Union, America, and Southeast and Central Asia. For instance, our LSAW and ERW steel pipes are sold to customers principally in the PRC with CNPC, CNOOC and Sinopec being our major domestic customers. In response to the increase of domestic demand for oil and gas, CNPC, CNOOC and Sinopec may enter into contracts to import oil and natural gas from or may engage in oil and gas projects in foreign countries in the Middle East and Southeast and Central Asia.

Our Directors believe that a substantial portion of our domestic sales in the future will be derived from projects of CNPC, CNOOC and Sinopec in the construction of transnational pipelines or other projects in foreign countries in the Middle East, Europe, America, and Southeast and Central Asia. Unfavourable relationships between China and the foreign countries may have an adverse effect on future projects and projects underway. Foreign countries may be subject to terrorism or political instability, and any attacks or threats of attack may cause substantial delay with respect to our major projects, our Group's business, financial condition and results of operations may be materially and adversely affected.

Our operations may be affected by inherent risks and occupational hazards.

Our operations, particularly our manufacturing facilities, involve risks and occupational hazards which cannot be completely avoided or eliminated through preventive efforts. During maintenance and inspection of our production lines, our employees may be exposed to hazards caused by inhalation of chemical substances. In particular, our production lines are housed in the factory blocks at our principal production bases in Panyu, Guangdong Province, the PRC and Jiangyin City, Jiangsu Province, the PRC. Unforeseen accidents, which may result in severe damage in our production facilities, severe injuries or even fatalities, may disrupt our production, which may adversely affect our business and financial performance.

Power shortages or substantial increase in energy costs may adversely affect our operations.

Our operations consume substantial amounts of electricity. In the event of power shortages and blackout periods, our production may be disrupted as we do not have backup generators at our production lines. As our production facilities are based in the PRC, our operations may be disrupted if we fail to obtain adequate and stable supply of electricity due to restriction on the use of electricity imposed by the PRC Government. During the Track Record Period, we did not experience any material disruption to our production due to power shortages.

In addition, we may not be able to pass increased energy costs to our customers due to pressures from competition and customer resistance. In the event that we fail to recover the substantial cost increases of energy, our Group's business, financial condition and results of operations may be adversely affected.

RISKS RELATING TO THE STEEL PIPE INDUSTRY

We face intense competition.

Although we are one of the leading manufacturers in the PRC capable of producing LSAW steel pipes using the UOE and JCOE production methods, there is no assurance that other PRC manufacturers will not improve their production capability or develop more technologically advanced production lines. Competition is also keen in the ERW steel pipes business segment.

We also face competition from overseas manufacturers who may possess more profound experience in the production of steel pipes and their production facilities and technologies may be more sophisticated. No assurance can be given that we will be able to compete successfully against our current competitors or that existing or new competitors will not expand or establish new production lines in our target markets. New or expanded production facilities of competitors may exert adverse effect on our businesses. In addition, any price competition may reduce the gross margin on sales and the overall profitability of our Group.

We rely on energy, infrastructure and construction projects which may be adversely affected by recent global financial crisis.

The financial crisis as triggered by the sub-prime mortgage crisis which began in the beginning of 2007 in the US has adversely affected the availability of credit in the international lending markets and has ultimately caused significant downturns in the world economy. Economists and market analysts believe that the possibility of a global recession is increasing and in view of the anticipated global trends, it is expected that the Chinese economy will inevitably slow down.

After the outbreak of the financial crisis in the third quarter of 2008, a number of our customers cancelled or delayed the delivery of certain sales orders, which were originally scheduled to be delivered in 2008. Accordingly, the respective sales revenue associated with such cancelled or delayed orders could not be recognised in the books of our Group for the year ended 31 December 2008. Our Directors believe that the cancellation or delay of the delivery of these sales orders was due to the then procrastination of the oil and gas pipeline construction projects worldwide as a result of the global financial turmoil. Moreover, bad debt provision of our Group increased from approximately RMB82,000 for the year ended 31 December 2008 to approximately RMB4.1 million for the eight months ended 31 August 2009 due to the deterioration of the global economy and credit crunches at the end of 2008.

Our Directors believe that a substantial portion of our sales of LSAW steel pipes will continue to be derived from oil and gas pipeline construction, as well as other energy and infrastructure projects both in the PRC and overseas. Unfavourable political or economic conditions, such as the global financial crisis in late 2008 and the recent debt woes of Dubai World (the investment arm of the United Arabs of Emirates) or general outlook of the energy market will also have an adverse effect on the readiness of governments and private enterprises to commit further investments and may also lead to abandonment of project underway or project defaults. During the Track Record Period, our sales to the Middle East accounted for approximately 1.2%, 15.4%, 12.4% and 35.6%, respectively, of our total revenue. Moreover, as some of the projects that we intend to participate in are of large scale, they may be subject to delay and rescheduling due to many reasons, such as the recent economic downturn, changes in construction priorities, environmental and regulatory issues, difficulties in obtaining property rights or in securing funding. We cannot assure you that the number of such energy, infrastructure and construction projects will not decline nor these projects will not be rescheduled.

In the event that the business of our customers in the energy, infrastructure and construction industry decline due to the above-mentioned reasons and affected the number of such projects which consequently leads to the reduction in the demand of our products, or if there is any substantial delay with respect to our major projects, our Group's business, financial condition and results of operations may be materially and adversely affected.

We are subject to fluctuations in steel prices.

Our products are primarily made of steel, the price of which will affect our cost structure. Steel coils and steel plates accounted for approximately 90.4%, 90.9%, 91.7% and 90.6% of our total cost of sales for each of the three years ended 31 December 2008 and the eight months ended 31 August 2009, respectively. The steel industry is cyclical in nature and steel prices are influenced by factors beyond our control, such as general economic conditions, import duties and foreign exchange rates. Moreover, the cost of steel plates and steel coils that we used to produce our products varies with different dimensions and steel quality. Set out below is the chart showing the market average price of steel plates and steel coils and the highest, lowest and weighted average unit price of steel plates and steel coils that we purchased for each of the three years ended 31 December 2008, the eight months ended 31 August 2009 and the year ended 31 December 2009:

	Year ended 31 December			Eight months ended 31 August	Year ended 31 December
	2006	**2007**	**2008**	**2009**	**2009**
	(RMB/tonne)	*(RMB/tonne)*	*(RMB/tonne)*	*(RMB/tonne)*	*(RMB/tonne)*
Steel plates					
Market average price (1) and (5)	3,638	4,364	5,448	3,603	3,620
Unit purchase price (2)					
– *Highest*	9,400	8,848	11,000	10,300	10,300
– *Lowest*	3,050	4,120	5,000	3,600	3,600
– *Weighted average*	5,594	6,370	8,610	5,282	5,229
Steel coils					
Market average price (3) and (5)	3,935	4,286	5,014	3,773	3,728
Unit purchase price (4)					
– *Highest*	6,300	6,300	7,950	10,299	10,299
– *Lowest*	2,900	3,800	3,000	3,500	3,500
– *Weighted average*	4,169	5,216	6,698	5,367	5,048

Notes:

(1) Domestic market average price of 20mm thick steel plates (Source: Antaike, Bloomberg)

(2) Unit purchase price of steel plates with thickness range from 8.0mm to 31.0mm and steel quality range from API 5LB to X80

(3) Domestic market average price of 3mm thick steel coils (Source: Antaike, Bloomberg)

(4) Unit purchase price of steel coils with thickness range from 3.0mm to 19.1mm and steel quality range from API 5LB to X80

(5) To the best knowledge of our Directors, there is no publicly available information on the domestic market average price of steel plates and steel coils in the PRC that can match with the same ranges of thickness and steel quality of those used by us for the production of our steel pipe products, and therefore the domestic market average price of 20mm thick steel plates and domestic market average price of 3mm thick steel coils are stated for indication of the market price trends of steel plates and steel coils in the PRC. During the Track Record Period, the weighted average purchase prices of our Company's steel plates and steel coils were generally higher than that of the market average since, to the best knowledge and belief of our Directors, the quality of steel plates and steel coils that we purchased for the production of our steel pipe products is generally higher than those used for compilation of the said market average. Regardless of the differences in the specifications, and in terms of the dimensions and quality, of steel plates and steel coils that we purchased and those used for compilation of the market average, the price trend of steel plates and steel coils that we purchased during the Track Record Period is largely in line with the historical trend of the market average price.

Although the prices of steel plates and steel coils dropped significantly from 2008 to 2009, there can be no assurance that steel prices will not increase as during 2006 to 2008 or that we will be successful in raising the selling price accordingly. Any increase in steel prices which is not offset by the increase in our selling prices could have a material adverse effect on our profitability. In addition, since the specifications of steel plates and steel coils required by our Group are different from those used for compilation of the market average stated above, there is no assurance that the prices of steel plates and steel coils that our Group purchases will follow the market average prices in the future.

We are in a capital intensive industry.

We operate in an industry which requires substantial capital investment and additional capital expenditures are required by our Group to continue to upgrade our facilities and improve our product quality. There is no assurance that we will have sufficient resources or external financing for the necessary capital expenditures in the future. If we are not able to obtain such financing, our business may be adversely affected.

Changes in the laws and regulations of the PRC will have a significant impact on our business.

Currently, our business and operations in the PRC entail the procurement of licences and permits from the relevant authorities. Our business and operations in the PRC are subject to laws and regulations of the PRC. Our legal advisers as to PRC law have confirmed that our Group has complied with all relevant laws and regulations in all material respects and has obtained all necessary licenses, approvals and permits from relevant regulator authorities for our Group's operations in the PRC, including《特種設備製造許可證(壓力管道元件)》(Manufacture Licence of Special Equipment (Pressure Pipeline Components)*) issued by 國家質量監督檢驗檢疫總局 (the State General Administration of the PRC for Quality Supervision and Inspection and Quarantine*).

In addition, our production operations are subject to the national environmental protection laws and regulations and rules promulgated by the local governments in the jurisdictions where our production facilities are located in the PRC. The relevant PRC laws and regulations require enterprises to have waste water, waste products and polluted air treatment facilities that meet the relevant environmental standards and to have the pollutants treated before being discharged. In addition, the current PRC national and local environmental protection laws and regulations impose fees for the discharge of pollutants and fines for the discharge of pollutants which are insufficiently treated. The relevant laws and regulations also empower relevant governmental authorities to close down any enterprise that causes serious pollution.

We strive to conduct our business in a manner that complies strictly with the applicable environmental laws and regulations and to the extent practicable that minimise any adverse effect on the environment to fulfill our social responsibility as a responsible enterprise.

All of our production activities are in full compliance with the relevant environmental laws and regulations in the PRC and we have obtained governmental confirmation certifying our compliance with the applicable environmental laws and regulations for our production plants. However, from time to time, changes in the rules and regulations or the implementation thereof may require us to put additional efforts and take further steps in ensuring the protection of environment and to obtain additional approvals, or licences from the PRC authorities for the conduct of our operations in PRC. In such event, we may need to incur additional expenses in order to comply with such requirements. This will in turn affect our financial performance as our business costs will increase. Furthermore, there can be no assurance that such approvals or licences will be granted to us promptly or at all. If we experience delay in or are unable to obtain such required approvals or licences, our operations and business in the PRC, and hence our overall financial performance will be adversely affected. Please refer to the paragraph headed "Regulatory matters" in the section headed "Industry overview" in this prospectus for details.

Fluctuation in market demand for and/or prices of oil and gas may affect the demand of our steel pipe products.

During the Track Record Period, most of our revenue is generated from the sale of our steel pipe products to oil companies and gas companies for use as pipelines for transmission of oil and gas. Demand for our steel pipe products is dependent on capital expenditures of oil and gas companies, which in turn is largely dependent on market demand for and/or prices of oil and gas prices. Given heavy reliance on the customers in the oil and gas companies, to some extent, our revenue is sensitive to changes in market demand and/or prices of global oil and gas. A prolonged decline in market demand and/or prices of oil and gas could directly or indirectly reduce the demand for our steel pipe products and have an adverse effect on the our business, financial condition, and results of operations.

RISKS RELATING TO THE PRC

Uncertainty in the PRC legal system may make it difficult for us to predict the outcome of any disputes that we may be involved in.

The PRC legal system is based on the PRC Constitution and consists of written laws, regulations, circulars and directives. The PRC is still in the process of developing its legal system so as to meet the needs of investors and to encourage foreign investment and uncertainties exist on whether and how existing laws and regulations will apply to certain events or circumstances.

Some of the laws and regulations, and the interpretation, implementation and enforcement of them, are subject to policy changes. There is no assurance that the introduction of new laws, changes to existing laws and the interpretation or application thereof will not have an adverse impact on our business or prospects.

Further, precedents on the interpretation, implementation and enforcement of PRC laws and regulations are limited and are not binding in the law courts of the PRC. As such, the outcome of dispute resolutions may not be consistent or predictable as in the other more developed jurisdiction and it may be difficult to obtain swift or equitable enforcement of judgement in the PRC.

Our results and financial position are highly susceptible to changes in political, economic and social conditions of the PRC as our revenue is mainly derived from our operations in the PRC.

Since 1978, the PRC government has undertaken various reforms of its economic systems. Such reforms have resulted in economic growth for PRC in the last three decades. However, many of the reforms are unprecedented or experimental, and are expected to be refined and modified from time to time. Other political, economic and social factors may also lead to further readjustment of the reform measures. This refinement and adjustment process may consequently have a material impact on our operations in the PRC or a material adverse impact on our financial performance. Our results and financial position may be adversely affected by changes in the PRC's political, economic and social conditions and by changes in policies of the PRC's government or changes in laws, regulations or the interpretation or implementation thereof.

There is no assurance that we will continue to receive the preferential tax treatment currently enjoyed by our Group.

In accordance with the former《中華人民共和國外商投資企業和外國企業所得稅法》(Income Tax Law of the PRC for Enterprises with Foreign Investment and Foreign Enterprises*), all of our subsidiaries (except for PCKSP (Lianyungang)) in the PRC are entitled to full exemption from EIT for the first two years from their respective first profit making year and a 50% reduction in EIT for the next three years (after deducting losses carried forward).

The loss of the tax exemption and tax benefit period will increase our tax expenses. The new PRC EIT Law imposes a single income tax rate of 25% on most domestic enterprises and foreign invested enterprises. It contemplates various transition periods for existing preferential tax policies. On 6 December 2007, the implementation rules of the new PRC EIT Law were promulgated and took effect on 1 January 2008 (the "**Implementation Rules**"). According to this new PRC EIT Law and in accordance with the Implementation Rules, we may be subject to the uniform tax rate of 25% from the implementation date of this law. However, pursuant to《國務院關於實施企業所得稅過渡優惠政策的通知》(Notice of the State Council on the implementation of transitional preferential policies in respect of the EIT*) promulgated on 26 December 2007 and took effect on 1 January 2008, each of the GPR Companies will continue to enjoy its preferential treatment of tax exemption and tax benefit up to the expiry of its preferential treatment term in 2012. PCKSP, as an advanced and new technology enterprise eligible for key support from the PRC government qualified on 16 December 2008, shall be entitled to a reduced rate of 15% from 1 January 2008 to 31 December 2010. If PCKSP cannot be verified to be "advanced and new technology enterprises eligible for key support from the PRC government", it will be subject to the rate of 25% from 1 January 2011 onwards. Please refer to Appendix I to this prospectus for the details of the tax benefits enjoyed by our subsidiaries in the PRC and the EIT rates applicable to these entities during the Track Record Period.

If the PRC authorities further amend or promulgate new laws or regulations which prescribe a higher standard EIT rate or introduce any change to the tax preferential treatment which our subsidiaries in the PRC currently enjoy, our profit after taxation and financial position may be materially and adversely affected.

Future movements in exchange rates may adversely affect our financial position and results of operations.

On 21 July 2005, the People's Bank of China (the "**PBOC**") announced that the exchange rate of US dollars to Renminbi would be adjusted from US$1 to RMB8.27 to US$1 to RMB8.11, and it ceased to peg Renminbi to the US dollars. Instead, Renminbi is now pegged to a basket of currencies, which components are adjusted based on changes in market demand and supply under a set of systematic principles. On 23 September 2005, the PRC government widened the daily trading band for Renminbi against non-US dollars currencies from 1.5% to 3.0% to improve the flexibility of the new foreign exchange system. Renminbi may be revalued further against the US dollars or other currencies or, may be permitted to enter into a full or limited free float, which may result in an appreciation or depreciation in the value of the Renminbi against the US dollars or other currencies.

During the Track Record Period, all of our sales to customers in the PRC were denominated in Renminbi while most of our exports sales were denominated in US dollars. During the Track Record Period, our exports sales amounted to approximately RMB500.2 million, RMB794.4 million, RMB1,372.0 million and RMB1,268.6 million, respectively, and accounted for approximately 45.5%, 54.5%, 52.3% and 62.8%, respectively, of our total revenue. Accordingly, our operations are exposed to the fluctuation in exchange rates of RMB against US dollars. For each of the three years ended 31 December 2008 and the eight months ended 31 August 2009, we recorded net exchange loss of approximately RMB1.5 million, RMB10.7 million, RMB9.0 million and RMB0.7 million, respectively. The increase in the exchange loss in 2007 and 2008 was mainly due to the continuously appreciation of Renminbi during that period and the increase in our exports sales, which were mainly denominated in US dollars, by 58.8% from approximately RMB500.2 million for the year ended 31 December 2006 to approximately RMB794.4 million for the year ended 31 December 2007 and by 72.7% from that for the year ended 31 December 2007 to approximately RMB1,372.0 million for the year ended 31 December 2008. There is a decrease in exchange loss for the eight months ended 31 August 2009, since the Renminbi exchange rate against the US dollars remained relatively stable during 2009 as compared with that for the year 2008.

Moreover, the relaxation of the RMB-US dollars peg may contribute to the volatility of the value of Renminbi. Further appreciation of the Renminbi may cause our products become relatively more expensive, which could weaken our products' price competitiveness. This could have a material adverse effect on our business, financial condition, and results of operations. On the contrary, any depreciation of Renminbi would affect the value of the dividends payable on the Shares and other amount payable by us in foreign currency terms. During the Track Record Period, we have not implemented any formal policies regarding our foreign exchange exposure and only entered into a few non-speculative hedging transactions to hedge our foreign exchange exposure. Therefore, we will be exposed to fluctuations in the exchange rate of RMB and our results may be adversely affected.

Restriction on currency conversion may limit our ability to remit dividends and affect our business.

Renminbi currently is not a freely convertible currency. Existing restrictions on the conversion of Renminbi into foreign currencies may affect our ability to convert Renminbi into foreign currencies (and thus restrict the subsequent repatriation of those funds). Such restriction includes, among other things, the approval from SAFE or its local branches for the conversion of Renminbi into foreign currency and remittance out of China thereafter. In addition, any tightening of such restrictions, including but not limited to the future imposition of restrictions on foreign exchange transactions for current-account items such as the payment of dividends, may limit our ability to use resources generated in Renminbi to fund our business activities outside China.

Besides, while the proceeds to be raised from the New Issue will be denominated in HK dollars, our functional currency is Renminbi. There is no assurance that HK dollars can be converted into Renminbi all the times, and any restriction on such conversion may restrict our utilisation of, or even render us unable to utilise, the proceeds from the New Issue for implementation of our future plans and thus our business may be adversely affected.

As most of our revenue and operating costs are denominated in Renminbi, our business and operating results may be materially and adversely affected in the event of a severe increase or decrease in the value of Renminbi against other currencies. The value of Renminbi is subject to changes in the PRC's governmental policies and to international economic and political developments. Any significant appreciation of Renminbi would result in an adverse impact on the conversion of the proceeds from the New Issue and future financing into Renminbi for our operations, and any material devaluation of Renminbi against the HK dollars could adversely affect the amount of any cash dividends on our Shares in HK dollars term.

Any increase in interest rates in the PRC may materially affect our results.

As at 30 November 2009, being the latest practicable date for the purpose of ascertaining our indebtedness position, we had aggregate banking facilities of approximately RMB2,339.0 million, of which approximately RMB1,257.6 million had been utilised. We may in future incur new debt obligations to finance our operations and our borrowings carrying interest at floating rates will expose us to interest rate risk resulting from fluctuations in the relevant reference rates. Commercial banks in the PRC determine the interest rates on their loans with reference to the benchmark lending rates published by Peoples' Bank of China. We also have interest-bearing bank loan denominated in US dollar during the Track Record Period, with interest rates benchmarked to the London interbank offered rates for US dollar loans. Any further increase in interest expense may have a material adverse effect on our business, financial position and results of operations.

The outbreak of any severe communicable diseases in the PRC, if uncontrolled, could affect the financial performance and prospects of our Group.

The outbreak of any severe communicable disease in the PRC, if uncontrolled, could have an adverse effect on the overall business sentiments and environment in the PRC, which in turn may have an adverse impact on domestic consumption and, possibly the overall GDP growth of the PRC.

As our revenue is currently mainly derived from our operations in the PRC, any contraction or slow down in the growth of domestic consumption and possible slow down in the GDP growth of the PRC will adversely affect our prospects, future growth and overall financial position. In addition, if any of our employees is affected by any severe communicable disease outbreaks, we may be required to temporarily shut down the affected campuses and quarantine all staff working in those campuses to prevent the spread of the disease. This could adversely affect and/or disrupt our production and the relevant plants and impact our financial performance.

The recent outbreak of Influenza A (H1N1), commonly known as the "swine influenza" has caused an alarming number of deaths worldwide. The increasing number of Influenza A (H1N1) infected cases in certain Asian countries and territories, such as the PRC and Hong Kong, could indicate that it is gradually developing into a pandemic disease, which would threaten human lives and hinder the local and cross-border business activities and affect the prospects of economic recovery in those areas. It is unclear whether the epidemic will become more aggressive or will wane in the near future. Any prolonged outbreak of Influenza A (H1N1) or other severe communicable disease in the PRC (including Hong Kong) or elsewhere could have a material adverse effect on the business, prospects, financial condition or operational results of our Group.

Import duties and effects of WTO accession.

The import of steel coils and steel pipes into the PRC is subject to restrictions and import tariffs calculated on the value of the imported goods. Import tariffs on steel pipes are levied at between 17% and 40%, respectively.

China's accession to the WTO is likely to increase competition between PRC domestic manufacturers and major international competitors which generally have lower production costs. On 11 November 2001, China signed and ratified the protocol on China's accession to the WTO, which includes the terms of membership and the schedule of China's commitment on market access for goods and services. Effective from 11 December 2001, China became a full member of the WTO. This agreement will result in reduction or elimination of trade barrier, including:

- significantly reducing import tariffs on primary steel products (including LSAW steel pipes and ERW steel pipes); and

- eliminating quotas and non-tariff barriers for import of steel products.

Increases in foreign competition and the reduction of the protections currently provided by China's existing import tariffs may have a material adverse effect on our results of operations.

Payment of, and tax exemptions on, dividends are subject to restriction under the PRC laws.

The PRC laws require that dividends be paid only out of the net profit calculated according to the generally accepted accounting principles in the PRC, which differ from the generally accepted accounting principles in other jurisdictions. The PRC laws also require foreign-invested or domestic-funded enterprises, such as PCKSP, Hualong Anti-Corrosion, PCKSP (Lianyungang) or any of the GPR Companies, to set aside part of their net profit as statutory reserves. These statutory reserves are not available for distribution as cash dividends. As a result, our ability to pay dividends will be restricted by the prevailing PRC laws.

In addition, our Company is incorporated in the Cayman Islands and holds interests in our subsidiaries in the PRC through CKSPG, a Hong Kong incorporated company. As foreign legal entities, dividends derived from our Group's business operations in the PRC for earnings generated prior to 1 January 2008 are currently not subject to income tax under PRC law. However, we cannot assure you that such dividends will continue to be exempted from the PRC EIT Law. Under the existing PRC EIT Law, if a foreign entity is deemed to be a non-PRC tax resident enterprise without an office or premises in the PRC, a withholding tax at the rate of 10% will be applicable to any dividends for earnings accumulated since 1 January 2008 payable to the foreign entity, unless it is entitled to reduction or elimination of such tax, including by tax treaties or agreements. According to the double taxation avoidance arrangement between the PRC and Hong Kong, dividends paid by a foreign-invested enterprise, such as PCKSP, Hualong Anti-Corrosion or any of the GPR Companies, in the PRC to its shareholder(s), CKSPG in Hong Kong will be subject to withholding tax at a rate of 5% if the Hong Kong company directly holds 25% or more interest in the PRC enterprise.

In addition, the Implementation Rules currently in force provides that if an enterprise incorporated outside the PRC has its "de facto management organisation" located within the PRC, such enterprise may be recognised as a PRC tax resident enterprise and thus may be subject to EIT at the rate of 25% on its worldwide income. As at the Latest Practicable Date, substantially all members of our Group's management were located in the PRC. If the PRC tax authorities consider that any of our Group's non-PRC entities is a deemed PRC tax resident enterprise after the effective date of the PRC EIT Law and its Implementation Rules, such deemed PRC tax resident enterprise would therefore be subject to an EIT of 25% on its worldwide income (including dividend income receivable from its subsidiaries), which excludes the dividends receivable directly from another PRC tax resident. However, there have been no official implementation rules regarding the determination of the "de facto management organisation" for foreign enterprises which are not controlled by enterprises in the PRC (including companies like ourselves). We cannot assure you that we will not be considered as a "resident enterprise" under the PRC EIT Law and not be subject to EIT at the rate of 25% on our income generated both inside and outside the PRC.

Enforcement of judgements obtained from non-PRC courts may be difficult.

Our Company is incorporated in the Cayman Islands. A substantial part of our assets and operations are located however within the PRC. The PRC currently does not have effective treaties or arrangements which provide reciprocal recognition and enforcement of judgements of the courts of the United States, the United Kingdom or other countries, and therefore, it may be difficult for investors to effect service of process upon us or to enforce against us any judgements obtained in such jurisdictions.

The PRC is a signatory of the United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "**New York Convention**") which permits enforcement in the PRC of awards of arbitral bodies located in other New York Convention signatory countries, subject to certain exceptions. Even in cases where enforcement is, in principle, provided for by the New York Convention, practical difficulties are sometimes encountered.

Hong Kong and China entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgements in Civil and Commercial Matters, pursuant to which a party with a final court judgement rendered by a Hong Kong court in respect of a judgement sum payable under a civil and commercial action may apply for enforcement of such judgement in the PRC, and vice versa. However, it is impossible to enforce a judgement rendered by the Hong Kong court in the PRC if there is no prior agreement as to the choice of court.

PRC regulations may limit our ability to make additional capital contributions to our subsidiaries in the PRC.

We are an offshore holding company engaging our businesses substantially in the PRC through our subsidiaries in the PRC. For the future expansion of our operations, we may utilise the proceeds we expect to receive from the New Issue to make additional capital contributions or loans to our subsidiaries in the PRC. Under the current PRC regulations, any capital contributions or loans to foreign-invested enterprises in the PRC, depending on the amount of total contribution or advance, require approval by or registration with relevant governmental authorities in the PRC.

Should we fail to complete all the necessary government registrations or obtain all the necessary government approvals on a timely basis with respect to future capital contributions made or loans advanced by us to our subsidiaries in the PRC, our ability to use the proceeds from the New Issue to capitalise or otherwise fund our operations in the PRC could be materially and adversely affected. Any such limitation on funding would result in a reduced liquidity and would adversely affect our ability to fund and expand our businesses in the PRC.

The new PRC Labor Contract Law may have an impact on our Group's operations and our labor costs may increase as we may be liable to fines and penalties for any material breach of the new law.

The Standing Committee of the National People's Congress adopted《中華人民共和國勞動合同法》(PRC Labour Contract Law*) on 29 June 2007 which became effective on 1 January 2008. 《中華人民共和國勞動合同法》(PRC Labour Contract Law*) imposes requirements relating to, among others, minimum wage, severance payment and non-fixed term employment contracts, and establishes time limits for probation periods as well as the duration and the number of times that an employee can be placed on a fixed term employment contract. It also provides that social insurance is required to be paid on behalf of the employees and the employees are entitled to unilaterally terminate the labor contract if this requirement is not being satisfied.

Pursuant to this new law, our subsidiaries in the PRC are required to enter into non-fixed term employment contracts with employees who have worked for them for more than ten years or, unless otherwise provided under the new law, for whom a fixed term employment contract has been concluded for two consecutive terms since 1 January 2008. Our Group may not be able to efficiently terminate non-fixed term employment contracts under the new law without cause. In addition, our Group is also required to make severance payments to employees under the fixed term contracts upon the expiration of their employment contracts, unless the employee voluntarily terminates the contract or voluntarily rejects an offer to renew the contract in circumstances where the conditions offered by the employer are the same as or better than those stipulated in the current contract. The amount of severance payment is calculated based on the monthly wage of the employee multiplied by the number of full years that the employee was employed by the employer, unless the employee's monthly wage is three times greater than the average monthly wage in the relevant district or locality, in which case the calculation of the severance payment will be based on a monthly wage equal to three times the average monthly wage multiplied by a maximum of twelve years.

Compliance with the relevant laws and regulations may substantially increase our Group's operating costs and may have a material adverse effect on the results of operations of our Group. In particular, an increase in the labor costs in the PRC will increase our production costs and we may not be able to pass these increases on to our customers due to competitive pricing pressures. We cannot assure you that any employment disputes or strikes will not arise in the future. Increases in our labor costs and future disputes with our employees could adversely affect the business, financial condition or results of operations of our Group.

Acts of God, acts of war and other disasters could affect our business.

Our business is subject to the general economic and social conditions in the PRC. Natural disasters, epidemics and other acts of God which are beyond our control may adversely affect the economy, infrastructure and livelihood of the people of the PRC. Many major cities in the PRC are under the threat of flood, earthquake, sandstorm, snowstorm or drought and for instance, the unexpected snowstorm in the PRC around the Chinese Lunar New Year of 2008 and the serious earthquake in Sichuan Province in May 2008 had caused disruption of economic activities in China. Our business, operating results and financial condition may be adversely affected if such natural disasters occur. Acts of war and terrorist attacks may cause damage or disruption to us, our employees, our distributors and our markets, any of which could adversely impact our revenue, cost of sales, overall results and financial condition. Potential wars or terrorist attacks may also cause uncertainty and cause our business to suffer.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for the Shares.

Prior to the Global Offering, there was no public market for the Shares. The initial Offer Price range for the Offer Shares was the result of negotiations among our Company (for ourselves and on behalf of the Selling Shareholder) and the Joint Global Coordinators (acting on behalf of the Underwriters). You should not view the Offer Price as any indication of the price that will prevail in the trading market. The market price for the Shares may drop below the Offer Price upon commencement of dealing in Shares on the Main Board. In addition, a listing on the Stock Exchange does not guarantee that an active and liquid trading market for the Shares will develop or be sustained following the Global Offering or in the future.

The market price of our Shares may be volatile.

The trading price of the Shares could be subject to significant volatility in response to, among other factors:

- investor perceptions of our Group and our future plans;
- variations in our Group's operating results;
- changes in pricing made by us or our competitors;
- technological innovations;
- changes to senior management;
- the depth and liquidity of the market for the Shares; and
- general economic and other factors.

Any material changes in the above factors could cause the market price of the Shares to change substantially.

Concentrated ownership and the Controlling Shareholders may exert substantial influence over us and may not act in the best interests of our independent Shareholders.

Immediately upon completion of the Global Offering, Bournam (which is ultimately owned by Mr. Chen) will own 70% of our issued share capital, without taking into account of the Shares which may be issued upon the exercise of the Over-allotment Option. Bournam will be in a position to exert significant influence over our affairs, and will be able to influence the outcome of any Shareholders' resolution, irrespective of how other Shareholders may vote. The interests of Bournam and Mr. Chen, as our Controlling Shareholders, may not necessarily be aligned with that of independent Shareholders, and this concentration on ownership may also have the effect of delaying, deferring or preventing a change in control of our Company.

There may be dilution of shareholding as a result of additional equity fund raising.

We may need to raise additional funds in the future to finance the expansion of our new developments relating to our existing operations or new acquisition. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company other than on a pro-rata basis to existing Shareholders, the percentage of ownership of our then Shareholders in our Company may be diluted, Shareholders may experience subsequent dilution and/or such securities may have rights, preferences and privileges senior to the Shares.

Statistics and industry information have come from various publicly available government official publications which may not be reliable.

Certain facts, statistics and data presented in the section headed "Industry overview" and elsewhere in this prospectus relating to the global and PRC markets, the oil and natural gas industries and/or the steel pipes industries have been derived, in part, from various publicly available government official publications and industry-related sources prepared by Independent Third Parties. We believe that the sources of the information are appropriate sources for such information and the Joint Sponsors and our Directors have taken reasonable care to extract and reproduce the government official publications and industry-related sources in this prospectus, and we have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. However, neither our Group, our Directors, the Selling Shareholder, the Joint Sponsors nor any of the parties involved in the Global Offering have independently verified, or make any representation as to, the accuracy of such information and statistics. There is no assurance that statistics derived from such sources will be prepared on a comparable basis or that such information and statistics will be stated or prepared at the same standard or level of accuracy as, or consistent with, those in other publications within or outside the PRC. Accordingly, such information and statistics may not be accurate and should not be unduly relied upon.

There are risks associated with forward-looking statements contained in this prospectus.

Included in this prospectus are various forward-looking statements which can be identified by the use of forward-looking terminology such as "may", "will", "expect", "anticipate", "continue", "believe" and other similar words.

Since forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of our Group, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding our Group's present and future business strategies and the environment in which our Group will operate in the future. Important factors that could cause our Group's actual results, performance or achievements to differ materially from those in the forward-looking statements include, among others, the loss of key personnel of our Group, changes relating to the steel pipe industry and changes in general economic and business conditions. Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed above in this section. These forward-looking statements speak only as of the Latest Practicable Date.

Prospective investors should not place any reliance on any information contained in the press coverage regarding anti-dumping and countervailing measures.

Prior to the publication of this prospectus, there were press coverages regarding the imposition of anti-dumping and punitive duties imposed by the US on oil country tubular goods exported from the PRC to protect the steel industry in the US in certain newspapers in Hong Kong, namely, Hong Kong Economic Journal and Apple Daily which stated that a 10% to 16% of such anti-dumping or punitive duties would be imposed; and Mingpao which stated that a maximum of 15.8% of such anti-dumping duties would be imposed, on 31 December 2009. The details of such anti-dumping and countervailing measures are more particularly disclosed under the paragraphs headed "Anti-dumping and countervailing duties in the United States" and "Anti-dumping duties in the EU" in the section headed "Industry overview" in this prospectus. To the extent that any such information released by the press is not contained in this prospectus or is inconsistent or conflicts with the information contained in this prospectus, we disclaim any responsibility and liability whatsoever in connection therewith or resulting therefrom. Accordingly, prospective investors should not rely on any such information released by the press in making decision as to whether to subscribe for the Offer Shares. Prospective investors should rely only on the information contained in this prospectus.

WAIVER FROM STRICT COMPLIANCE WITH RULE 8.12 OF THE LISTING RULES

An application has been submitted to the Stock Exchange for a waiver from strict compliance with Rule 8.12 of the Listing Rules which requires a new applicant applying for primary listing on the Main Board to have sufficient management presence in Hong Kong. This will normally mean that at least two executive directors must be ordinarily resident in Hong Kong.

Our business is principally carried out in the PRC. Save for the immaterial amount of trading of steel pipes to customers in Hong Kong as managed by Crown Central, none of our business is located, conducted or managed in Hong Kong. Given that all of our executive Directors are ordinarily resident in the PRC, we would need to appoint two additional executive Directors or relocate at least two executive Directors to Hong Kong in order to comply with the requirements under Rule 8.12 of the Listing Rules. In any of these events, it would result in a difficult situation to us and it would not be commercially feasible for us to implement such arrangement.

In this regard, the Stock Exchange has granted a waiver to our Company from strict compliance with the requirements under Rule 8.12 of the Listing Rules. In this respect, our Company has appointed two authorised representatives pursuant to Rule 3.05 of the Listing Rules who will act as the principal channel of communication with the Stock Exchange. The two authorised representatives appointed are Mr. Chen and Ms. Chen Zhao Nian, both being executive Directors. Each of the authorised representatives has confirmed that each of them will be available to meet with the Stock Exchange in Hong Kong within a reasonable time upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile and electronic means. Each of the two authorised representatives will be authorised to communicate on behalf of our Company with the Stock Exchange. Further, all our Directors possess valid travel documents to visit Hong Kong and will be able to meet with the relevant members of the Stock Exchange within a reasonable period of time when required.

In order to further enhance the communication between the Stock Exchange, our authorised representatives and our Directors, we will implement the policies that:

- each Director will provide his/her office phone number, mobile phone number, residential phone number, fax number and e-mail address (if applicable) to the authorised representatives and his/her respective alternate; and

- in the event that a Director expects to travel and be out of office, he/she will provide the phone number of the place of his/her accommodation to the authorised representatives and his/her respective alternate.

In addition, we will appoint, before the Listing Date, ICBCI as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules for the period commencing on the Listing Date and ending on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year after the Listing Date to advise on corporate finance matters after listing.

Furthermore, we shall also appoint other professional advisers (including legal advisers and accountants) after the Listing to assist us in dealing with any questions which may be raised by the Stock Exchange and to ensure that there will be efficient communication with the Stock Exchange.

We have and will continue to maintain a principal place of business in Hong Kong, which is currently at Flat B, 16th Floor, Wah Hing Commercial Centre, No. 383 Shanghai Street, Kowloon, Hong Kong.

WAIVER FROM STRICT COMPLIANCE WITH CHAPTER 14A OF THE LISTING RULES

Our Group has entered into certain transactions which would constitute continuing connected transactions subject to the reporting and announcement requirements under the Listing Rules after the Listing.

Further particulars about such transactions together with the application for a waiver from strict compliance with the relevant requirements under Chapter 14A of the Listing Rules are set out in the section headed "Connected transactions" in this prospectus.

WAIVER FROM STRICT COMPLIANCE WITH RULE 4.04(1) OF THE LISTING RULES AND EXEMPTION FROM SECTION 342(1) OF THE COMPANIES ORDINANCE

Rule 4.04(1) of the Listing Rules requires that the accountants' report of the Company should include the consolidated results of the Group for each of the three financial years immediately preceding the issue of this prospectus, or such shorter period as may be acceptable to the Stock Exchange.

Similarly, section 342(1) of the Companies Ordinance stipulates that the Company should state the matters specified in Part I of the Third Schedule to the Companies Ordinance, and set out the reports specified in Part II of that Schedule. Paragraph 27 under Part I of the Third Schedule to the Companies Ordinance requires the Company to set out in this prospectus a statement as to the gross trading income or sales turnover (as may be appropriate) of the Company for the three financial years immediately preceding the issue of this prospectus. Paragraph 31 under Part II of the Third Schedule to the Companies Ordinances requires an inclusion of an accountants' report in respect of the Group's profits, losses, assets and liabilities for each of the three financial years, also immediately preceding the issue of this prospectus.

Pursuant to section 342A(1) of the Companies Ordinance, the SFC may issue, subject to such conditions (if any) as the SFC thinks fit, a certificate of exemption from compliance with any or all of the requirements of section 342(1) of the Companies Ordinance if, having regard to the circumstances, the SFC considers that the exemption will not prejudice the interest of the investing public and compliance with any or all of those requirements would be irrelevant or unduly burdensome, or is otherwise unnecessary or inappropriate.

An application has been made to the SFC for a certificate of exemption from strict compliance with paragraphs 27 and 31 of the Third Schedule to the Companies Ordinance in relation to the inclusion of the accountants' report for the full financial year ended 31 December 2009 in this prospectus because it would be unduly burdensome and would inevitably delay the timetable of the Listing significantly as the financial statements would under such requirements be required to be audited up to 31 December 2009. The reporting accountants of the Company would then have to undertake a considerable amount of work to prepare, update and finalise the accountants' report (which currently covers the Track Record Period up to 31 August 2009) to cover additional four-month-period, which would not only involve additional costs but also require substantial work to be carried out for audit purposes. Our Company and its reporting accountants would not have sufficient time to complete the audited financial statements for the full financial year ended 31 December 2009 which would not be possible to be finalised within a short period of time. Our Directors consider that the benefits of such work to the existing and prospective Shareholders may not justify the additional work and expenses involved and the delay of the timetable for the Listing.

Our Company lodged the above application with the SFC accordingly. In this connection, a certificate of exemption has been granted by the SFC on the ground that strict compliance with paragraphs 27 and 31 of the Third Schedule to the Companies Ordinance would be unduly burdensome. Such exemption is granted on the conditions that (i) particulars of the exemption be set forth in this prospectus; and (ii) this prospectus is issued on or before 28 January 2010.

An application has also been made to the Stock Exchange for a waiver from strict compliance with Rule 4.04(1) of the Listing Rules and such waiver has been granted by the Stock Exchange on the conditions that (i) the Listing Date shall not be later than three months after the latest financial year-end of the Company, i.e. on or before 31 March 2010; (ii) Rule 8.06 of the Listing Rules is to be complied with, in that the latest financial period reported on by the reporting accountants of the Company as set out in the accountants' report in Appendix I to this prospectus shall not end more than six months before the date of this prospectus; and (iii) the grant of a certificate of exemption from similar requirements under paragraphs 27 and 31 of the Third Schedule to the Companies Ordinance by the SFC (which certificate has already been granted as set out in the immediately preceding paragraph).

Our Directors are of the view that all information that is necessary for the public to make an informed assessment of the financial position of our Group has been included in this prospectus and that an exemption from compliance with the above accounting period requirements would not prejudice the interests of the investing public. Our Directors confirm that, based on the discussion among the management and due diligence work conducted so far which our Directors consider appropriate to ensure that up to the date of this prospectus, there have been no material adverse changes in the financial or trading position and operations of our Group since 31 August 2009 and that there is no event which may materially affect the information as contained in the accountants' report of our Group, as set out in Appendix I to this prospectus, and all financial information contained in other parts of this prospectus.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus includes particulars given in compliance with the Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules (subsidiary legislation V of the SFO) and the Listing Rules for the purpose of giving information to the public with regard to our Group. Our Directors collectively and individually accept full responsibility for the accuracy of the information in this prospectus and confirm, having made all reasonable enquiries, that, to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in this prospectus misleading.

The Offer Shares are offered solely on the basis of the information contained and the representations made in this prospectus and the Application Forms. So far as the Global Offering is concerned, no person is authorised to give any information or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by us, the Selling Shareholder, the Joint Global Coordinators, the Joint Sponsors, the Joint Lead Managers of Hong Kong Public Offering, the Joint Lead Managers of the International Placing, the Underwriters, any of their respective directors (where applicable) or any other parties involved in the Global Offering.

DETERMINATION OF THE FINAL OFFER PRICE

The final Offer Price is expected to be determined by agreement among the Joint Global Coordinators (acting on behalf of all the Underwriters) and us (for ourselves and on behalf of the Selling Shareholder) on the Price Determination Date which is expected to be on or around Tuesday, 2 February 2010 and in any event not later than Monday, 8 February 2010. **If, for whatever reason, the Joint Global Coordinators (acting on behalf of all the Underwriters) and we (for ourselves and on behalf of the Selling Shareholder) are unable to agree on the final Offer Price, the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse.**

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus and the related Application Forms contain the terms and conditions of the Hong Kong Public Offering. The Global Offering comprises the International Placing and the Hong Kong Public Offering subject, in each case, to re-allocation described in the section headed "Structure and conditions of the Global Offering" in this prospectus. The number of the Offer Shares is subject to the Over-allotment Option.

The Listing is jointly sponsored by the Joint Sponsors, and the Global Offering is jointly coordinated by the Joint Global Coordinators. Subject to the terms of the Underwriting Agreements (including the determination of the final Offer Price by agreement between our Company (for ourselves and on behalf of the Selling Shareholder) and the Joint Global Coordinators (acting on behalf of the Underwriters) on or around Tuesday, 2 February 2010, being the expected Price Determination Date or such later time as may be agreed by our Company (for ourselves and on behalf of the Selling Shareholder) and the Joint Global Coordinators (acting on behalf of all the Underwriters) but in any event no later than Monday, 8 February 2010), the Hong Kong Offer Shares are fully underwritten by the Hong Kong Offer Underwriters and the International Placing Shares are expected to be fully underwritten by the International Placing Underwriters. For particulars of the Underwriters and the underwriting arrangements, please refer to the section headed "Underwriting" in this prospectus.

RESTRICTIONS ON OFFER OF THE OFFER SHARES

Saved as mentioned below, no action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus and the Application Forms in any jurisdiction other than Hong Kong.

The distribution of this prospectus and the Application Forms and the offering or sale of the Offer Shares in certain jurisdictions are restricted by law. Accordingly, and without limitation to the following, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation, nor is it calculated to invite or solicit offers in any jurisdiction or in any circumstances in which such offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to confirm, and is deemed by his acquisition of the Offer Shares to have confirmed, that he is aware of the restriction on offer of the Offer Shares described in this prospectus and the Application Forms and that he is not acquiring, and has not been offered any Offer Shares in circumstances that contravene any such restrictions.

The following information is provided for guidance only. Prospective applicants for the Offer Shares should consult their financial advisers and take legal advice, as appropriate, to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. Prospective applicants for the Offer Shares should inform themselves as to the relevant legal requirements of applying and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

United States

The Offer Shares have not been, and will not be, registered under the US Securities Act or under any securities regulatory authority of any state or other jurisdiction of the US and may not be offered, resold, pledged or otherwise transferred within the US, or to, or for the account or benefit of, US persons (as defined in Regulation S under the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or any state securities laws of the US. The Offer Shares have not been approved or disapproved by the US Securities and Exchange Commission, any state securities commission in the US or any other US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the Global Offering or the accuracy or adequacy of this prospectus or the prospectus relating to the International Placing. Any representation to the contrary is a criminal offence in the US.

United Kingdom

This prospectus is not an approved prospectus for the purposes of the UK Prospectus Rules, as implemented under the EU Prospectus Directive (2003/71/EC), and has not been approved under section 21 of the Financial Services and Markets Act 2000 (as amended) (the "**FSMA**") by a person authorised under FSMA. The financial promotions contained in this prospectus are directed at, and this prospectus is only being distributed to, (1) persons who receive this prospectus outside of the United Kingdom, and (2) persons in the United Kingdom who fall within the exemptions under articles 19 (investment professionals) and 49 (high net worth companies, unincorporated associations, etc.) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (all such persons together being referred to as "**Relevant Persons**"). This prospectus must not be acted upon or relied upon by any person who is not a Relevant Person. This prospectus is confidential and is provided to recipients on a personal basis and must not be transferred or assigned to persons who are not Relevant Persons. The transmission of this prospectus to any person other than Relevant Persons in the United Kingdom is unauthorised and may contravene FSMA and other United Kingdom securities laws and regulations. Any investment or investment activity to which this prospectus relates is available only to Relevant Persons and will be engaged in only with Relevant Persons.

PRC

This prospectus may not be circulated or distributed in the PRC and the Offer Shares may not be offered or sold, directly or indirectly or offered or sold to any person for re-offering or resale, directly or indirectly, to any resident of the PRC except pursuant to applicable laws and regulations of the PRC.

Singapore

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Offer Shares may not be circulated or distributed, nor may any of the Offer Shares be offered or sold, or be made the subject of an invitation or offer for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**"), (ii) to a relevant person pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Offer Shares are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interests (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Offer Shares pursuant to an offer made under Section 275 of the SFA except:

(1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in section 275(1A) or section 276(4)(i)(B) of the SFA;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law; or

(4) as specified in section 276(7) of the SFA.

Cayman Islands

No offer of the Offer Shares may be made to the public in the Cayman Islands.

Each person acquiring Offer Shares in the Global Offering will be required to confirm, or be deemed by its acquisition of Offer Shares to have confirmed, that it is aware of the restrictions on offer and sale of the Offer Shares described in this prospectus.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Capitalisation Issue and the Global Offering as mentioned in this prospectus (including any Shares to be issued pursuant to the exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme).

No part of the Shares or our Company's loan capital is listed or dealt in on any other stock exchanges. At present, our Company is not seeking or proposing to seek listing of, or permission to deal in, its securities on any other stock exchange.

HONG KONG SHARE REGISTER AND STAMP DUTY

All of the Shares will be registered on our Company's branch register of members to be maintained in Hong Kong by its branch share registrar and transfer office, Tricor Investor Services Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong.

Our Company's principal register of members will be maintained by its principal share registrar and transfer office, Butterfield Fulcrum Group (Cayman) Limited at Butterfield House, 68 Fort Street, PO Box 609, Grand Cayman KY1-1107, Cayman Islands.

Dealings in the Shares registered on our Company's branch register of members in Hong Kong will be subject to Hong Kong stamp duty.

Shares registered in our Hong Kong branch register of members constitute Hong Kong property.

Unless determined otherwise by our Company, dividends payable in HK dollars in respect of Shares will be paid to the Shareholders listed on our Company's branch register of members to be maintained in Hong Kong, by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder, or if joint Shareholders, to the first-named therein in accordance with the Articles of Association.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Further details of the structure and conditions of the Global Offering, including details of the Over-allotment Option, are set forth in the section headed "Structure and conditions of the Global Offering" in this prospectus.

PROCEDURE FOR APPLICATION FOR THE HONG KONG OFFER SHARES

The procedure for applying for the Hong Kong Offer Shares is set forth in the section headed "How to apply for the Hong Kong Offer Shares" in this prospectus and in the Application Forms.

PROFESSIONAL TAX ADVICE RECOMMENDED

If you are unsure about the taxation implications of subscribing for or purchasing the Offer Shares or holding, disposing of or dealing in the Offer Shares, you should consult an expert. Our Company, the Selling Shareholder, the Joint Global Coordinators, the Joint Sponsors, the Joint Lead Managers of the Hong Kong Public Offering, the Joint Lead Managers of the International Placing, the Underwriters, any of their respective directors or other parties involved in the Global Offering do not accept responsibility for any tax effects on, or liability of, any person resulting from subscribing for or purchasing or holding or disposing of or dealing in or exercise of any rights in relation to the Offer Shares.

DIRECTORS

Executive Directors

Name	Address	Nationality
CHEN Chang (formerly known as CHEN Jichang (陳繼昌), alias David CHEN) (陳昌)	Room 300 Panyu Chu Kong Steel Pipe Co., Ltd. Qinghe Road Shiji Town Panyu District Guangzhou City Guangdong Province The PRC, 511450	Chinese
CHEN Zhao Nian (陳兆年)	Room 302 Panyu Chu Kong Steel Pipe Co., Ltd. Qinghe Road Shiji Town Panyu District Guangzhou City Guangdong Province The PRC, 511450	Chinese
CHEN Zhao Hua (陳兆華)	Room 303 Panyu Chu Kong Steel Pipe Co., Ltd. Qinghe Road Shiji Town Panyu District Guangzhou City Guangdong Province The PRC, 511450	Chinese

Independent non-executive Directors

Name	Address	Nationality
CHEN Ping (陳平)	Room 302, Block 763, West Zone Sun Yat-Sen University 135#, Xin Gang Xi Road Guangzhou City Guangdong Province The PRC	Chinese
LIANG Guo Yao (梁國耀)	1501, Block A, Lvyin Gardens Guang Ming North Road Shiqiao Panyu District Guangzhou City Guangdong Province The PRC	Chinese
SEE Tak Wah (施德華)	Flat A, 19/F, Block 2 Braemar Hill Mansion 17 Braemar Hill Road North Point Hong Kong	New Zealander

Joint Global Coordinators	ICBC International Capital Limited Level 18, Three Pacific Place 1 Queen's Road East Hong Kong
	J.P. Morgan Securities (Asia Pacific) Limited 28th Floor, Chater House 8 Connaught Road Central Central, Hong Kong
Joint bookrunners of the Hong Kong Public Offering	ICBC International Capital Limited Level 18, Three Pacific Place 1 Queen's Road East Hong Kong
	J.P. Morgan Securities (Asia Pacific) Limited 28th Floor, Chater House 8 Connaught Road Central Central, Hong Kong
Joint bookrunners of the International Placing	ICBC International Capital Limited Level 18, Three Pacific Place 1 Queen's Road East Hong Kong
	J.P. Morgan Securities Ltd. 125 London Wall London EC2Y 5AJ United Kingdom
Joint Lead Managers of the Hong Kong Public Offering	ICBC International Securities Limited Level 18, Three Pacific Place 1 Queen's Road East Hong Kong
	J.P. Morgan Securities (Asia Pacific) Limited 28th Floor, Chater House 8 Connaught Road Central Central, Hong Kong
Joint Lead Managers of the International Placing	ICBC International Securities Limited Level 18, Three Pacific Place 1 Queen's Road East Hong Kong
	J.P. Morgan Securities Ltd. 125 London Wall London EC2Y 5AJ United Kingdom

Joint Sponsors	ICBC International Capital Limited Level 18, Three Pacific Place 1 Queen's Road East Hong Kong
	Access Capital Limited Suite 606, 6th Floor Bank of America Tower 12 Harcourt Road Central Hong Kong
Hong Kong Offer Underwriters	ICBC International Securities Limited Level 18, Three Pacific Place 1 Queen's Road East Hong Kong
	J.P. Morgan Securities (Asia Pacific) Limited 28th Floor, Chater House 8 Connaught Road Central Central, Hong Kong
	Daiwa Capital Markets Hong Kong Limited Level 26, One Pacific Place 88 Queensway Hong Kong
	First Shanghai Securities Limited 19th Floor, Wing On House 71 Des Voeux Road Central Hong Kong
	Mizuho Securities Asia Limited 12th Floor, Chater House 8 Connaught Road Central Hong Kong
	Platinum Securities Company Limited 22nd Floor, Standard Chartered Bank Building 4 Des Voeux Road Central Hong Kong
Legal advisers to the Company	*As to Hong Kong law* Chiu & Partners 41st Floor Jardine House 1 Connaught Place Hong Kong

	As to PRC law Jingtian & Gongcheng 34/F, Tower 3 China Central Place 77 Jianguo Road Chaoyang District Beijing The PRC
	As to Cayman Islands law Conyers Dill & Pearman Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman, KY1-1111 Cayman Islands
	As to US law Simpson Thacher & Bartlett LLP 35th Floor ICBC Tower 3 Garden Road Hong Kong
Legal advisers to the Joint Sponsors, Joint Global Coordinators and Underwriters	*As to Hong Kong law* K&L Gates 35th Floor Two International Finance Centre 8 Finance Street Central Hong Kong
	As to PRC law Guangdong Guangda Law Firm 27th Floor Dongshan Plaza 69 Xian Lie Road Central Guangzhou City Guangdong Province The PRC
	As to US law Latham & Watkins 41st Floor One Exchange Square 8 Connaught Place Central Hong Kong

Auditors and reporting accountants	Ernst & Young *Certified Public Accountants* 18th Floor Two International Finance Centre 8 Finance Street Central Hong Kong
Property valuer	LCH (Asia-Pacific) Surveyors Limited 17th Floor Champion Building 287-291 Des Voeux Road Central Hong Kong
Receiving bankers of the Hong Kong Public Offering	Industrial and Commercial Bank of China (Asia) Limited 33/F, ICBC Tower 3 Garden Road Central Hong Kong The Bank of East Asia, Limited 10 Des Voeux Road Central Hong Kong

CORPORATE INFORMATION

Registered office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman, KY1-1111 Cayman Islands
Head office and principal place of business in the PRC	Qinghe Road Shiji Town 511450 Panyu District Guangzhou City Guangdong Province The PRC
Principal place of business in Hong Kong	Flat B, 16th Floor Wah Hing Commercial Centre 383 Shanghai Street Kowloon Hong Kong
Company's website address	www.pck.com.cn (information on the website does not form part of this prospectus)
Company secretary	HU Chung Ming *FCPA, CPA (Aust)*
Audit committee	SEE Tak Wah *(Chairman)* CHEN Ping LIANG Guo Yao
Remuneration committee	LIANG Guo Yao *(Chairman)* CHEN Ping CHEN Chang
Authorised representatives	CHEN Chang Room 300 Panyu Chu Kong Steel Pipe Co., Ltd. Qinghe Road Shiji Town 511450 Panyu District Guangzhou City Guangdong Province The PRC CHEN Zhao Nian Room 302 Panyu Chu Kong Steel Pipe Co., Ltd. Qinghe Road Shiji Town 511450 Panyu District Guangzhou City Guangdong Province The PRC

CORPORATE INFORMATION

Compliance adviser	ICBC International Capital Limited Level 18, Three Pacific Place 1 Queen's Road East Hong Kong
Principal bankers	The Bank of East Asia, Limited Head Office 10 Des Voeux Road Central Hong Kong
	Industrial and Commercial Bank of China (Panyu Branch) No. 209, Guang Ming North Road Shiqiao Town Panyu District Guangzhou City Guangdong Province The PRC
Principal share registrar and transfer office	Butterfield Fulcrum Group (Cayman) Limited Butterfield House 68 Fort Street P.O. Box 609 Grand Cayman KY1-1107 Cayman Islands
Hong Kong branch share registrar and transfer office	Tricor Investor Services Limited 26th Floor, Tesbury Centre 28 Queen's Road East Hong Kong

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

GLOBAL ENERGY MARKET OVERVIEW

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

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

Overview of Global Oil and Natural Gas Production

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

World's Oil Production in 2008

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

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

Source: BP Statistical Review of World Energy, June 2009

World's Natural Gas Production in 2008

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

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

Source: BP Statistical Review of World Energy, June 2009

Overview of Global Oil and Natural Gas Consumption

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

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

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

World's Oil Consumption in 2008

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

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

Source: BP Statistical Review of World Energy, June 2009

World's Natural Gas Consumption in 2008

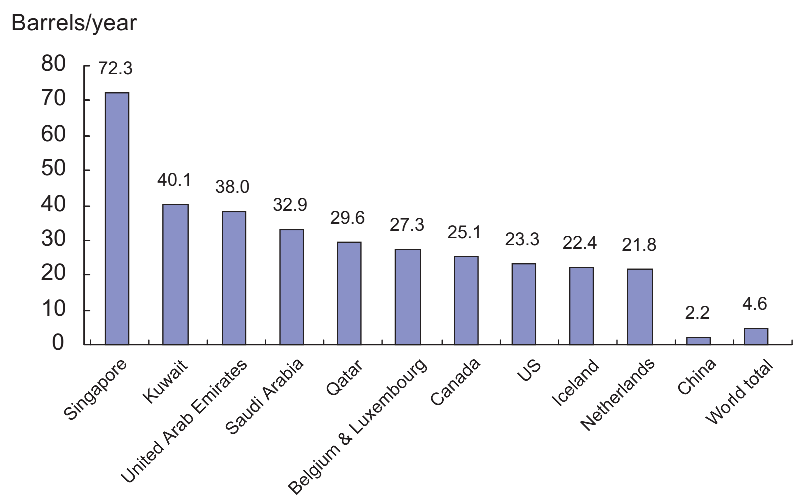
Country/Region	Billion m^3	Weighting in world's total(Note)	Change over 2007(Note)	Change over 2003
US	657.2	22.0%	0.6%	4.2%
Russian Federation	420.2	13.9%	(1.6%)	10.2%
Iran	117.6	3.9%	3.8%	41.9%
Canada	100.0	3.3%	3.2%	2.4%
United Kingdom	93.9	3.1%	3.0%	(1.5%)
Japan	93.7	3.1%	3.6%	17.5%
Germany	82.0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

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

Source: BP Statistical Review of World Energy, June 2009

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

2008 Per capita annual oil consumption

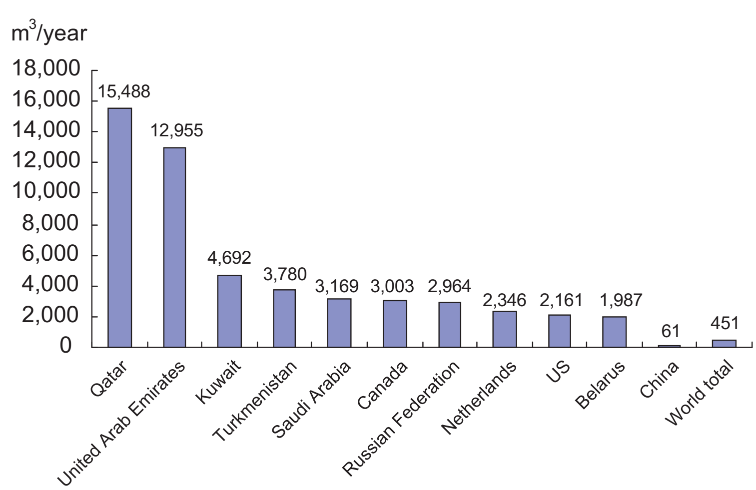


Note: Oil includes crude oil, shale oil, oil sands and the liquid content of natural gas, excludes liquid fuels from other sources such as biomass and coal derivatives.

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

Source: BP Statistical Review of World Energy, June 2009

2008 Per capita annual natural gas consumption



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

Source: BP Statistical Review of World Energy, June 2009

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

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

Source: BP Statistical Review of World Energy, June 2009

China's Oil and Natural Gas Industry Outlook

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

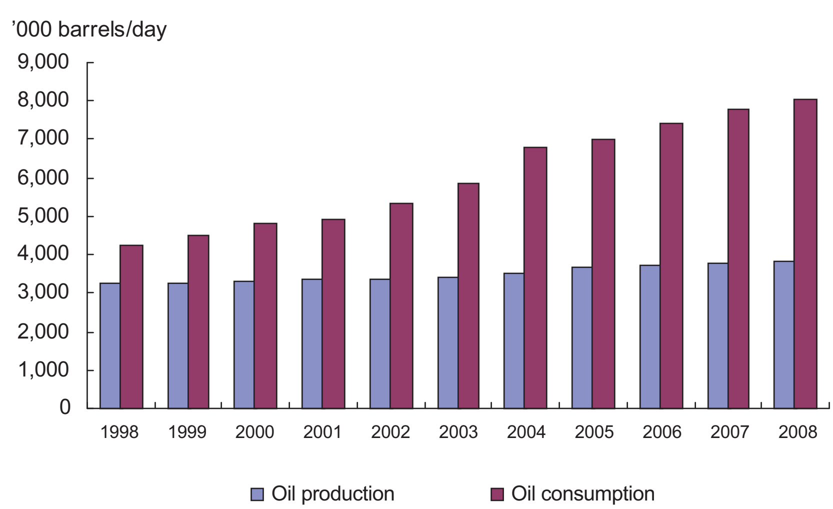
According to the forecast of the EIA, oil demand in China will reach approximately 10.0 million barrels per day in 2015 and 15.3 million barrels per day in 2030, with an annual average growth rate of approximately 3.2% from 2006 to 2030, the highest annual growth rate in the world and exceeding India's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

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

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

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

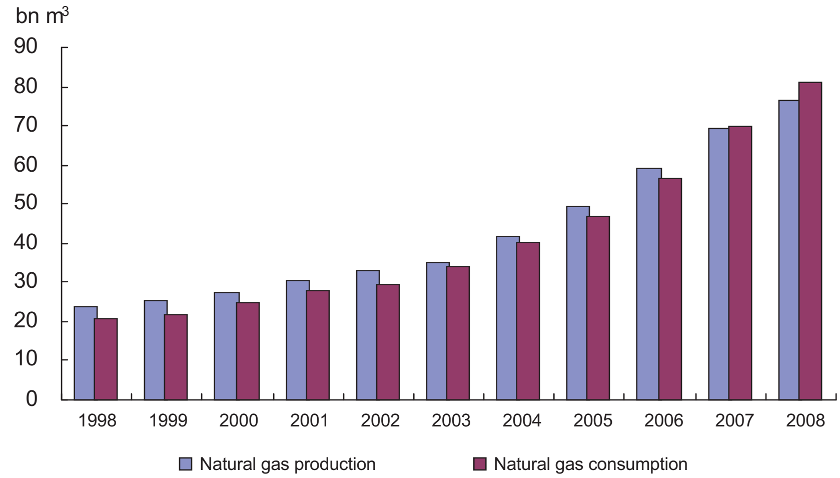
The PRC oil production and consumption ('000 barrels per day)



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

Source: BP Statistical Review of World Energy, June 2009

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

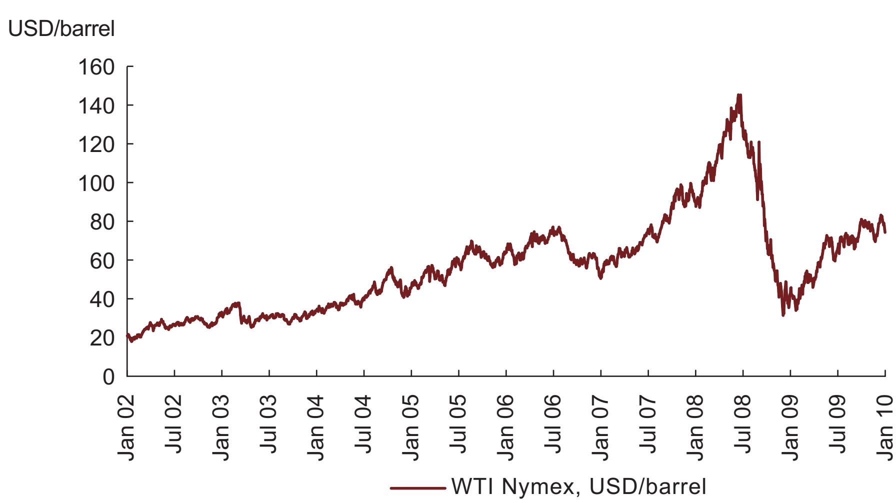


Source: BP Statistical Review of World Energy, June 2009

Capital Investments in the oil and natural gas industries

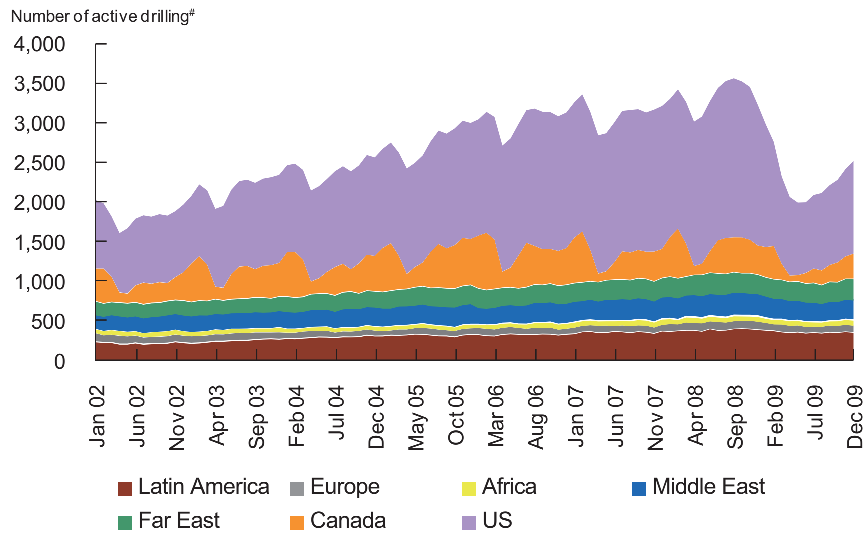
After the global financial turmoil in the third quarter of 2008, oil price has dropped significantly from the peak of over US$140 in July 2008 and bottomed at approximately US$31 in December 2008. Following the stabilisation of global economy, crude oil price started to pick up since the beginning of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

West Texas Intermediate (WTI) crude oil price



Source: Bloomberg

Worldwide rig count



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

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

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

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

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

Note: PetroChina is a listed subsidiary of CNPC

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

Global Oil and Gas Pipelines

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

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

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

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

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

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

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

Major pipeline projects worldwide

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

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

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

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

Pipeline transmission of oil and gas in China

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

Length and transmission volume of oil and gas pipelines in China

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

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

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

THE STEEL PIPE INDUSTRY

Steel pipe products

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

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

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

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

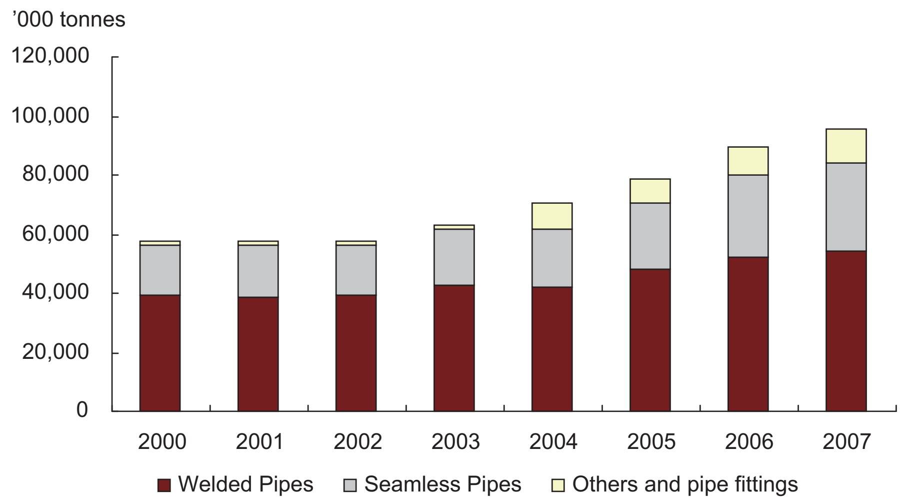
SSAW and ERW steel pipes are both made from steel coils whereas LSAW steel pipes are made from steel plates. ERW is limited by the coil width and is accordingly suitable for the manufacture of steel pipes that are thinner in wall thickness and smaller in diameter. ERW and SSAW steel pipes, which are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

Global steel pipe industry overview

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

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

2000-2007 worldwide production of seamless and welded steel pipes

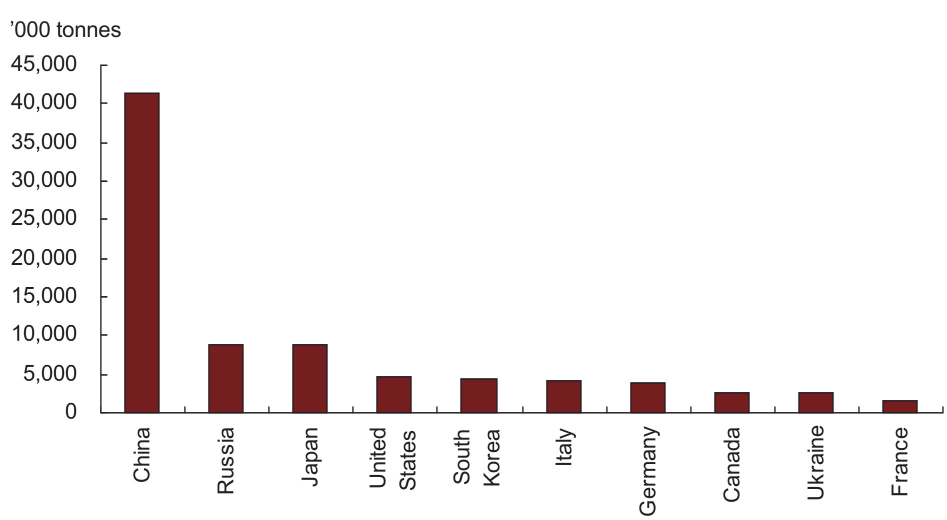


Source: World Steel Association, Steel Statistical Yearbook 2008. World Steel Association, an Independent Third Party, was founded as the International Iron and Steel Institute on 19 October 1967, is a non-profit organisation with headquarters in Brussels, Belgium which represents approximately 180 steel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

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

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

2007 top ten steel pipes and pipe fittings producing countries



Source: World Steel Association, Steel Statistical Yearbook 2008

China steel pipe industry overview

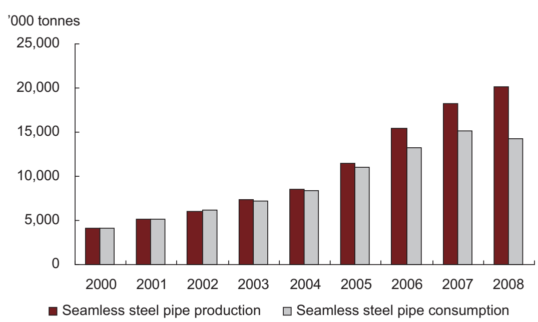
Since 2000, China outplayed Japan and became the largest steel pipes producing country in the world. Welded and seamless steel pipes produced in China in 2007 accounted for approximately 42.4% and 61.9% of world's total production of welded and seamless pipes of the same year respectively, while total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

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

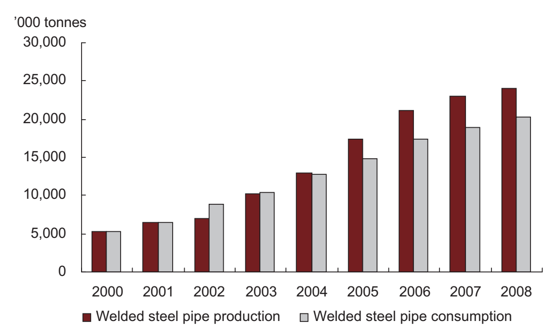
During the period from 2000 to 2008, production of steel pipes in China accounted for approximately 7.2% to 8.8% of all crude steel production and as to approximately 53.5% to 60.5% of which are welded steel pipes. China's production of welded steel pipes grew at a CAGR of 21.0% from 2000 to 2008, compared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

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

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



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



Source: CISA

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

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

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

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

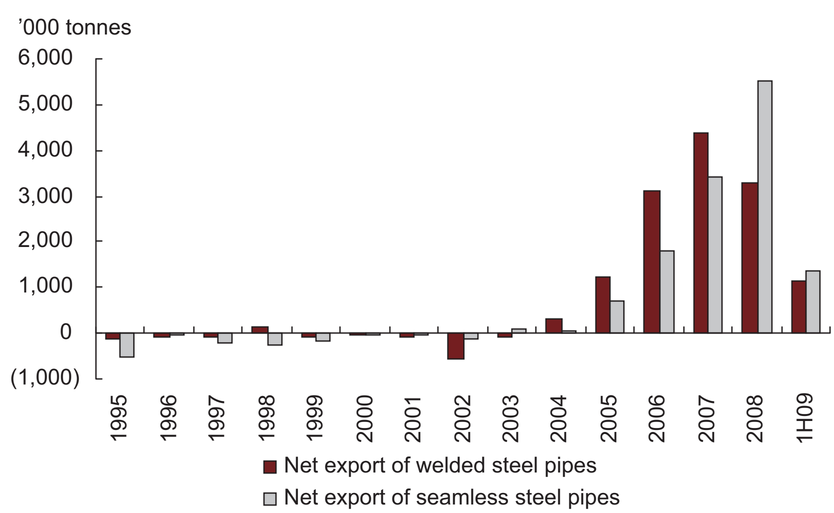
Source: CISA

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

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

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

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

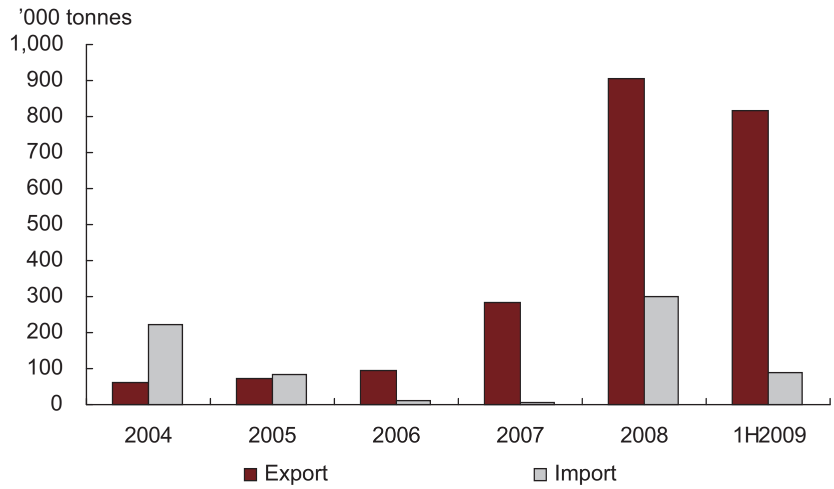


Source: National Bureau of Statistics, CEIC Data Company Ltd., a comprehensive data provider incorporated in Hong Kong, an Independent Third Party

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

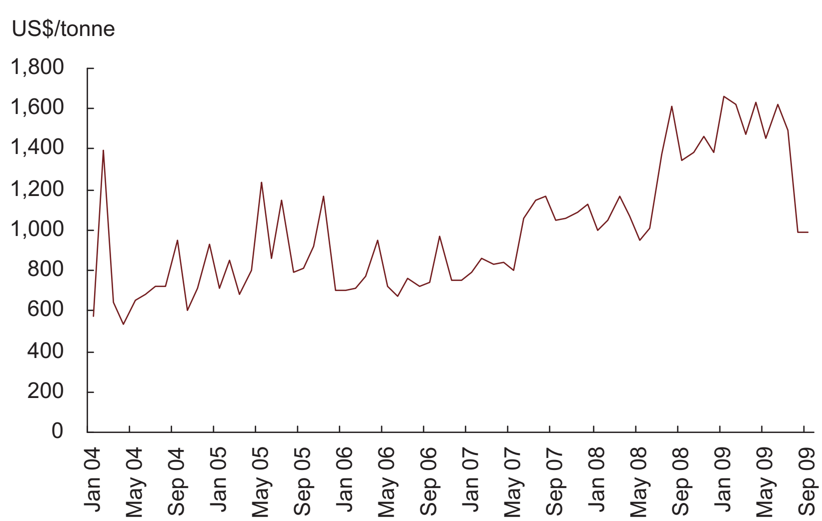
The following two graphs show China's import and export of LSAW oil and gas steel pipes and export price from 2004 to the first half of 2009.

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



Source: China Customs, Antaike

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



Source: China Customs, Antaike

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

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

Source: China Customs, CSPA

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

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

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

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

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

Source: China Iron & Steel Association, Antaike

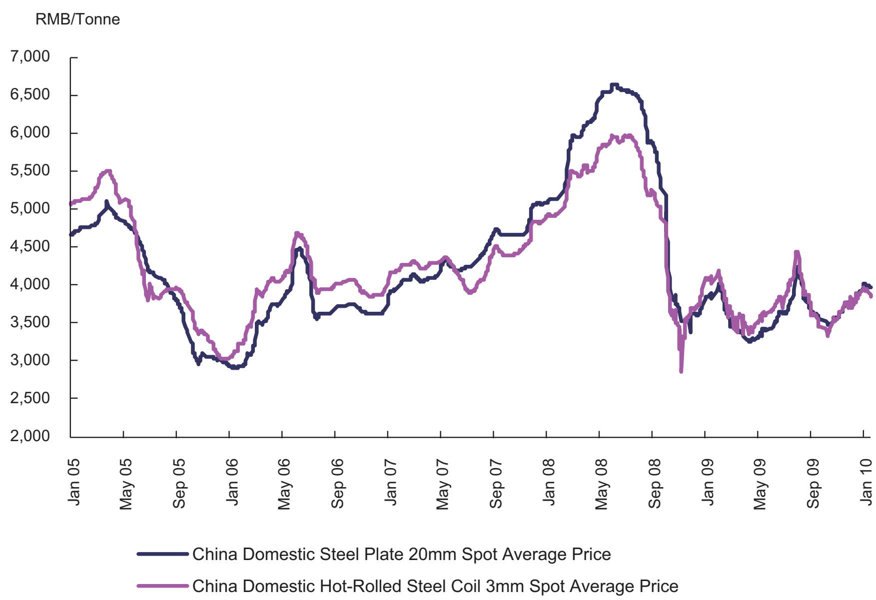
2004-2008 China's production and consumption of medium-heavy steel plates ('000 tonnes)

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

Source: China Iron & Steel Association, Antaike

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

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



Source: Antaike, Bloomberg

REGULATORY MATTERS

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

PRC laws and regulations on foreign investments in steel pipe industry

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

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

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

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

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

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

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

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

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

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

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

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

PRC laws and regulations governing the steel industry

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

On 26 September 2009, 國務院 (the State Council*) issued《國務院批轉發展改革委等部門關於抑制部分行業產能過剩和重複建設引導產業健康發展若干意見的通知》(國發[2009]38號) (Circular of the State Council on the Approval on Some Opinions Given by the National Development and Reform Commission and Other Departments on Containing Surplus Production Capacity and Repetitive Construction in Certain Industries and Facilitating Healthy Industrial Development (Guo Fa [2009] No. 38)*). Certain major principles were put forward, namely, restricting additional capacity and optimising existing capacity, growing emerging industries and upgrading traditional industries, adopting market orientation and macro controls. It also requires the restriction on the overall production capacity and constraining surplus production capacity, encourages the development of new industries and products that are high-tech, high value-added, low consumption and low emission, enhances merger and corporate restructuring as well as industry consolidation, expedites the retirement of technologically laggard plants, emphasises technology advancement, improves existing capacity, adjusts product mix and pursues an efficient, quality and sustainable industrial development.

The foregoing principles aim at integrating the resources of steel manufacturers by merging and reorganising the small-medium companies and eliminating old and outdated production facilities so as to maintain the sustainable development of the steel manufacturing industry. As most of our steel suppliers are large and reputable steel companies, and the raw materials we require for our production are regarded as special high value-added and high quality steel, our Directors believe the foregoing principles have no immediate and adverse impact on our raw materials procurement. On the contrary, the aforesaid principles require the steel manufacturers to refine their product structure and eliminate the outdated products and production facilities, which lead to the increase in the production of special steels that we currently procure. Meanwhile, our steel plates and steel coils suppliers became more proactive and approached us for marketing of their steel products. Therefore, to the best knowledge of our Directors, with the enforcement of the aforesaid provisions, the prices of raw materials such as steel plates and steel coils are comparatively more stable in 2009 compared to the year-on-year increase in the three years ended 31 December 2008. For the fluctuation in the price of steel plates and steel coils, please refer to the paragraph headed "We are subject to fluctuations in steel price." in the section headed "Risk factors" in this prospectus.

PRC laws and regulations on environmental protection

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

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

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

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

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

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

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

PRC laws and regulations on labor and production safety

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

According to《中華人民共和國就業促進法》(Employment Promotion Law of the People's Republic of China*) which came into effect on 1 January 2008, when an employer recruits employees, it shall provide workers with equal employment opportunities and fair employment conditions and shall not have any employment discrimination. The employer shall ensure that women enjoy labor rights equal to those of men and shall not refuse to recruit women or increase the thresholds for recruitment of women under the excuse of gender. When an employer recruits female employees, it shall not stipulate in the employment contract any content, which restricts female employees from getting married or bearing child and shall give appropriate consideration to workers of ethnic minorities. When an employer recruits employees, it shall not discriminate against persons with disabilities and shall not refuse to recruit any person under the excuse that he is a carrier of an infectious disease. It is prohibited to set discriminatory restrictions against rural workers seeking employment in the cities.

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

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

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

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

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

OFAC regulations

The US Department of the Treasury's Office of Foreign Assets Control, or OFAC, administers certain laws and regulations, or US Economic Sanctions Laws, that impose restrictions upon US persons and, in some instances, foreign entities owned or controlled by US persons, with respect to activities or transactions with certain countries, governments, entities and individuals that are the subject of US Economic Sanctions Laws, or Sanctions Targets. US persons are also generally prohibited from facilitating such activities or transactions.

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

Anti-dumping and countervailing measures

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

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

Anti-dumping and countervailing duties in the United States

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

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

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

Case name and number:	**Carbon Steel Butt-weld Pipe Fittings,** A-570-8814
Petition date:	1991
AD or CVD or both:	AD only
Case status:	AD Duty Order imposed: 41.77% – 182.90% AD rates *(Note)*

Description of targeted merchandise(*):

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

Carbon steel butt-weld pipe fittings are currently classified under subheading 7307.93.30 of the HTS.

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

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

Petition date: February 2002

AD or CVD or both: AD only

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

Description of targeted merchandise(*):

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

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

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

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

Petition date: October 2002

AD or CVD or both: AD only

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

Description of targeted merchandise(*):

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

Case name and number: **Circular Welded Carbon Quality Steel Pipe,** A-570-910 and C-570-911

Petition date: June 2007

AD or CVD or both: Both

Case status: AD duty order imposed: 69.20% – 85.55% AD rates
CVD order imposed: 29.57% – 615.92% CVD rates

Description of targeted merchandise(*):

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

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

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

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

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

Petition date: July 2007

AD or CVD or both: Both

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

Description of targeted merchandise(*):

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

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

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

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

Petition date: April 2008

AD or CVD or both: Both

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

Description of targeted merchandise(*):

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

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

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

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

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

Case name and number: **Circular Welded Austenitic Stainless Pressure Pipe,** A-570-930 and C-570-931

Petition date: January 2008

AD or CVD or both: Both

Case status: AD duty order imposed: 10.53% – 55.21% AD rates
CVD order imposed: 1.10% – 299.16% CVD rates

Description of targeted merchandise(*):

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

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

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

Case name and number:	**Oil Country Tubular Goods ("OCTG"),** A-570-943 and C-570-944
Petition date:	April 2009
AD or CVD or both:	Both
Case status:	Preliminary AD duties imposed, 0.00% – 99.14%; final AD rates to be issued by Commerce Department in April 2010; and final injury determination for AD case to be rendered by ITC in May 2010 Final CVD order imposed January 20, 2010: 10.49% – 15.78% CVD rates for investigated companies, and 13.41% for all others

Description of targeted merchandise(*):

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

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

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

Case name and number:	**Certain Seamless Carbon and Alloy Steel, Standard, Line and Pressure Pipe,** A-570-956 and C-570-957
Petition date:	September 2009
AD or CVD or both	Both
Case status:	Case initiated October 2009, investigations still ongoing

Description of targeted merchandise(*):

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

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

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

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

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

Petition date: September 2009

AD or CVD or both: AD Only

Case status: Case initiated October 2009, investigations still ongoing

Description of targeted merchandise(*):

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

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

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

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

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

Case name and number: **Drill Pipe**

Petition date: December 2009

AD or CVD or both Both

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

Description of targeted merchandise(*):

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

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

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

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

Impact of US trade cases and investigations on our business

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

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

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

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

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

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

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

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

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

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

Anti-dumping duties in the EU

EU anti-dumping and countervailing cases

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

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

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

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

Impact of EU Trade cases on our business

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

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

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

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

Anti-dumping determination and "non-market economy"

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

OVERVIEW

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

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

(a) On 20 December 2007, CKSPG (a wholly-owned subsidiary of Lessonstart) acquired (i) the entire equity interest in the registered capital of PCKSP, and (ii) 25% equity interest in Hualong Anti-Corrosion both from Lessonstart each at a nominal consideration of HK$1, the transfers of which were approved on 28 December 2007 and 25 December 2007 respectively. The filing of such changes regarding PCKSP and Hualong Anti-Corrosion with the relevant administration of industry and commerce were both effected on 29 December 2007. Since then, PCKSP has become a wholly-owned subsidiary of CKSPG and Hualong Anti-Corrosion became owned as to 25% by CKSPG.

(b) On 20 December 2007, CKSPG acquired from JCH Enterprise (which was then and is wholly and beneficially owned by Mr. Chen) the entire equity interest in the registered capital of each of the GPR Companies, in each case at a nominal consideration of HK$1. In December 2006, a sum of approximately HK$12.5 million was advanced by or on behalf of Mr. Chen to JCH Enterprise for the purpose of paying up part of the registered capital of GPR Companies, which constituted shareholder's loan from Mr. Chen to JCH Enterprise. At the material time, CKSPG (wholly and indirectly owned by Mr. Chen) has already been established, but has yet to acquire the GPR Companies from JCH Enterprise. In consideration for JCH Enterprise agreeing to transfer the GPR Companies to CKSPG at a nominal consideration of HK$1 for each GPR Companies, Mr. Chen therefore waived the aforesaid shareholder's loan owned by JCH Enterprise to him. Such transfer was approved on 25 December 2007 and the filing of such changes with the relevant administration of industry and commerce were all effected on 29 December 2007. Since then, GPR Companies became wholly owned by CKSPG.

(c) On 20 February 2008, PCKSP and Lessonstart transferred the entire equity interest in the registered capital of Chu Kong Zhangjiagang (which then had not yet been paid up) to JCH Enterprise (which was then and is wholly and beneficially owned by Mr. Chen) at nil consideration. Such transfer was approved on 26 February 2008 while filing of such change with the relevant administration of industry and commerce was effected on 3 March 2008. Chu Kong Zhangjiagang was subsequently de-registered in September 2008 and therefore was excluded from our Group prior to the Listing. Details of Chu Kong Zhangjiagang and the reason of its exclusion from our Group are disclosed in the section headed "Relationship with Controlling Shareholders" in this prospectus.

(d) On 8 July 2009, PCKSP (Lianyungang) was established in the PRC to engage in the manufacture and sale of steel pipes. At the time of its establishment, PCKSP (Lianyungang) had a registered capital of RMB40 million, which was subsequently increased to RMB200 million on 16 October 2009 and was further increased to RMB700 million on 4 November 2009. PCKSP (Lianyungang) has been wholly owned by PCKSP since its establishment.

(e) By an agreement dated 21 August 2009 entered into between GPR Steel Pipe as seller and an Independent Third Party as purchaser, the JCOE production line in Zhangjiagang, Jiangsu Province, the PRC then operated by GPR Steel Pipe (Zhangjiagang branch) was sold to the Independent Third Party at a consideration of RMB119,150,000. The said production line was delivered to the Independent Third Party on 31 August 2009. Since then, GPR Steel Pipe (Zhangjiagang branch) has not carried on any production and was in the process of deregistration as at the Latest Practicable Date.

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

OUR CORPORATE HISTORY

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

PCKSP

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

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

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

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

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

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

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

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

Hualong Anti-Corrosion

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

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

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

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

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

PCKSP (Lianyungang)

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

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

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

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

GPR Companies

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

(i) GPR Steel Pipe

GPR Steel Pipe was established on 16 October 2006 to engage in the manufacture of steel pipes. GPR Steel Pipe had a registered capital of HK$50 million at the time of its establishment which amount had remained unchanged as at the Latest Practicable Date. According to the capital verification report issued by 廣州市建弘會計師事務所有限公司 (Guangzhou Jianhong Certified Public Accountants Co., Ltd.*) dated 5 January 2007, JCH Enterprise contributed HK$7.5 million, being 15% of the registered capital of GPR Steel Pipe, as at 20 December 2006. Pursuant to the current articles of association of GPR Steel Pipe, the remaining 85% of the registered capital shall be paid up within three years of its establishment. In contemplation of the Listing, JCH Enterprise entered into an equity transfer agreement with CKSPG on 20 December 2007, pursuant to which JCH Enterprise transferred its equity interest in GPR Steel Pipe to CKSPG at a nominal consideration of HK$1. Such transfer was made at a nominal consideration in view of the waiver of the shareholder's loan then owed by JCH Enterprise to Mr. Chen. Such transfer is one of the steps of our Reorganisation. After the said transfer was approved and that the filing with the relevant administration of industry and commerce was effected on 29 December 2007, GPR Steel Pipe became a wholly-owned subsidiary of CKSPG.

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

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

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

(ii) GPR Coating

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

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

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

(iii) GPR Casing Pipe

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

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

(iv) GPR Petrol-Fittings

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

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

Legality of our subsidiaries in the PRC

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

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

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

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

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

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

In addition to rules and regulations of the PRC to which our PRC subsidiaries are subject, Mr. Chen, being a resident in the PRC, is required under 《關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》(Notice of the State Administration of Foreign Exchange on Relevant Issues concerning Foreign Exchange Administration on Domestic Residents' Fund-raising and Return Investment via Overseas Special Purpose Companies*) promulgated by SAFE on 21 October 2005 and effective as of 1 November 2005 to apply to relevant foreign exchange administration authorities for foreign exchange registration of overseas investment before he set up or control our Company and its associated overseas companies. Our legal advisers as to PRC law have confirmed that Mr. Chen had completed the required registration and no other approval or consent in relation to his direct or indirect interests in our Company is required to be obtained and that the Reorganisation complies with applicable PRC laws and regulations, and all necessary approvals from the PRC regulatory authorities, including the necessary foreign exchange registration, required to implement the Reorganisation have been obtained.

Crown Central and Lucknow

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

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

Lessonstart and CKSPG

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

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

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

Our Company

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

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

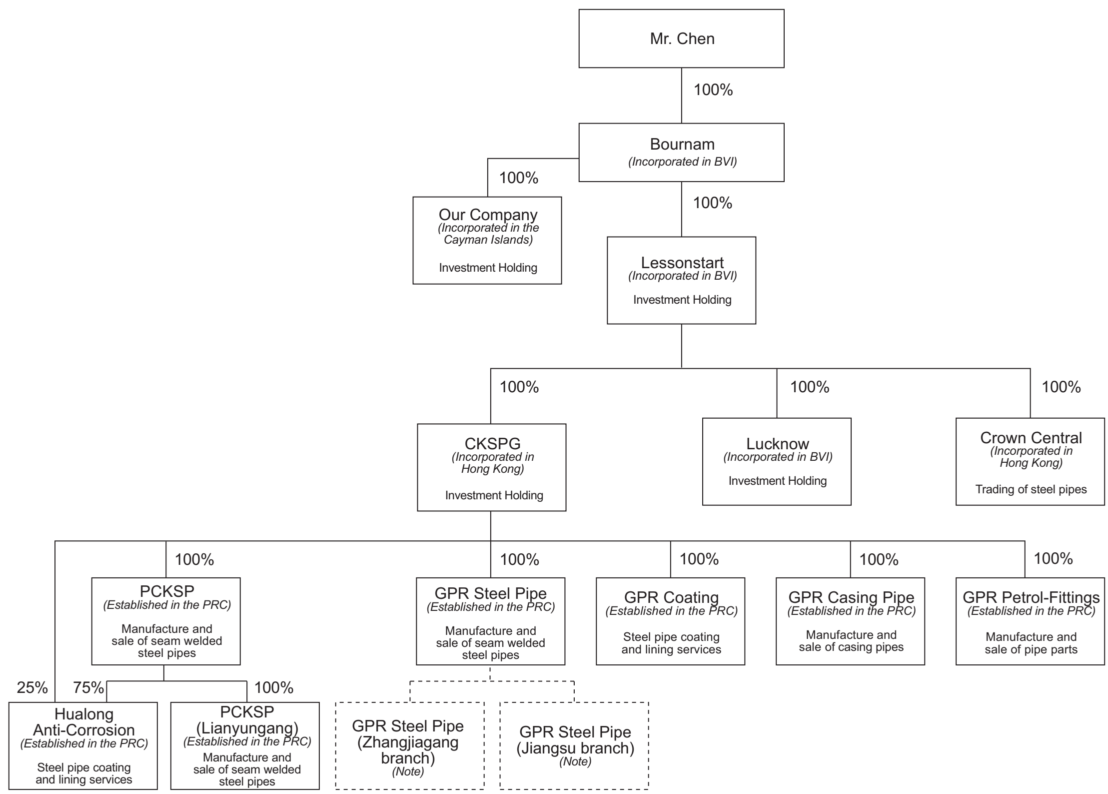
MILESTONES IN OUR BUSINESS DEVELOPMENT

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

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

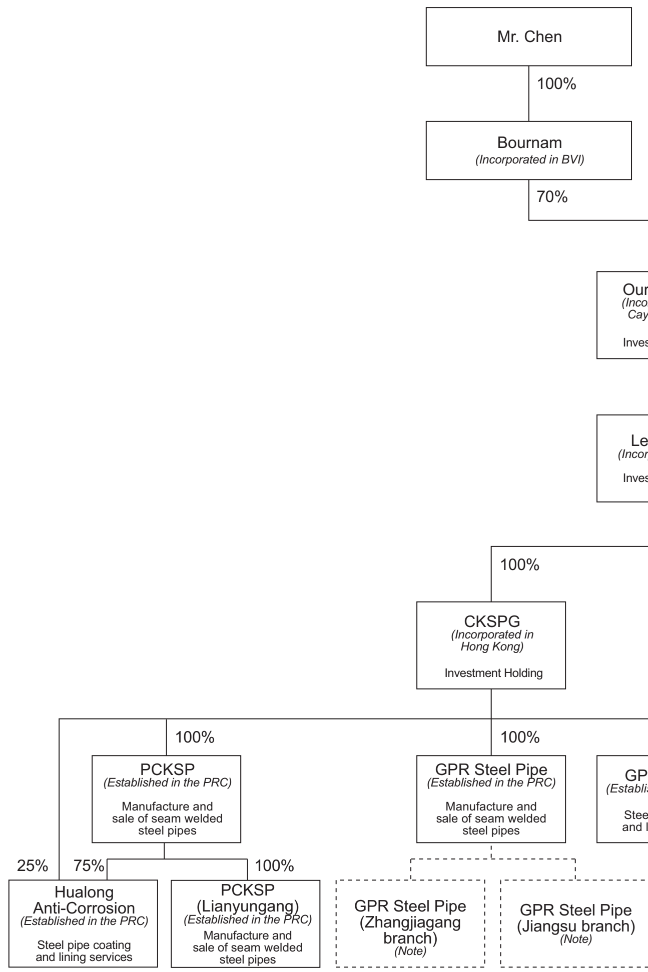
GROUP STRUCTURE

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



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

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



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

OVERVIEW

We were the largest steel pipe manufacturer in the PRC in terms of production volume of LSAW steel pipes in each of the three years ended 31 December 2009 as confirmed by CSPA and we are a forerunner in terms of the manufacture of LSAW steel pipes in the PRC as, according to CSPA and TGRC, our JCOE production line located in Panyu, Guangdong Province, the PRC was the first LSAW steel pipes production line in the PRC and our UOE production line was also the first LSAW steel pipes production line using UOE production method in the PRC. Moreover, we are also capable of producing LSAW steel pipes with the largest outside diameter in the PRC as confirmed by CSPA. According to TGRC, we are one of the four LSAW steel pipes manufacturers recognised to have the capabilities to produce LSAW steel pipes that meet the X80 standard that are considered suitable for application in major national pipeline projects in the PRC. Since our Group's establishment in 1993, we have been focusing on the production of high quality longitudinal welded steel pipes and have gained sound market reputation manifested by the accreditations awarded to us in relation to the quality and market acceptance of our steel pipe products marketed under the brand name "PCK" throughout the years. Our steel pipe products are highly regarded by domestic and international customers with particular reputation on distinguished quality and services.

Our business model

We operate our business under a project-originated model through which the sales of our steel pipe products depend largely on the locations of our customers, and/or their end customers, as well as the locations of global pipeline construction projects, and our Group derived a high proportion of our revenue from our major customers in the PRC and a number of customers in over 50 overseas countries and regions during the Track Record Period, which customers base varies from year to year. Our varying customer base results in differing requirements or specifications for our steel pipe products designated by our customers and therefore the application of different processing know-how and technique in the production of the steel pipe products, which are customised for the relevant customer's projects. In addition, we supply our customised steel pipe products to our customers in such amount pursuant to the sales orders or contracts placed by our customers, which amount, as our Directors believe, will in general align with the pre-determined amount required by the relevant customer for its projects. After the signing of the sales contracts with our customers or successfully obtained a tender and within the validity period of the relevant raw material quotations, we will enter into a back-to-back purchase agreement with our suppliers to purchase the quantity of raw materials required in the corresponding sales contracts. As such, this made-to-order operational pattern could minimise our exposure to the risk of inventory accumulation. For details of our Group's sales and marketing activities and our customers, please refer to the paragraphs headed "Sales and marketing" and "Customers" below in this section.

Moreover, our steel pipe products are also used for infrastructural purposes, such as water, irrigation and sanitation pipes, steel tubular piles or towers, hollow structural sections for buildings, bridges and stadiums, and structural and mechanical pipes in marine engineering projects. We have entered into a framework agreement dated 14 April 2009 in relation to the provision of approximately 100,000 tonnes of longitudinal pipes for The Huainan – Shanghai 1000KV transmission and transformation project under the project of "Eastward Power Transmission from Anhui" with a total contract sum of approximately RMB500 million. This project is a long-distance power grid construction project in the PRC and also China's first 1000KV grade double-circuit extra high voltage transmission project.

As our steel pipe products, especially LSAW steel pipes, are mainly used in pipeline and infrastructure projects worldwide, our Directors believe that any quality failure in the steel pipes used in such projects might potentially bring disastrous consequences to the safety and well being of the public at large and hence the tolerance level for quality failure of steel pipes to be used in infrastructure project is extremely low. Therefore, the manufacturing of our steel pipes that are suitable for use in global pipeline and infrastructure projects requires advance production technology and stringent quality control in order to meet the stringent international quality standard. Given the above, our Directors believe that the consideration of our product quality, track record and market reputation prevail over that of the price of our steel pipe products when our customers or potential customers are to place orders for our steel pipe products and thus price sensitivity of our LSAW steel pipes are relatively low.

Taking into consideration our "made-to-order" business model, i.e., we produce steel pipe products that are customised to meet our customers' specifications, and the high quality of our steel pipe products, our Directors consider that the various anti-dumping measures imposed by the United States and the EU in recent years did not cause any significant adverse impact to the demand for our steel pipe products and our operations as a whole.

Our products and operations

Our principal line of business is the manufacture and sale of longitudinal welded steel pipes. At the same time, in order to satisfy customers with specific requirements on raw materials for their products, we also provide steel pipe manufacturing services whereby such customers provide us with principal raw materials, namely, steel coils and steel plates, for our further processing of the same into steel pipes. Moreover, we provide ancillary products and services such as coating and fittings to our customers.

Our steel pipe products have a wide scope of applications (depending on the respective outside diameter and thickness) and a majority of them are sold to enterprises in the oil, petrochemicals and natural gas industry for use as pipelines for transmission of oil, petrochemicals, natural gas, city gas and coal slurry, or as casing pipes for oil wells. Domestically, a significant portion of our LSAW steel pipes and ERW steel pipes is sold to customers in the oil and gas industries in the PRC and CNPC, CNOOC and Sinopec are our major domestic customers. For each of the three years ended 31 December 2008 and the eight months ended 31 August 2009, our sales to CNPC (as a group) amounted to approximately RMB51.2 million, RMB195.8 million, RMB580.2 million and RMB475.0 million, respectively, and contributed to approximately 4.7%, 13.4%, 22.1% and 23.5%, respectively, of our total revenue; our sales to CNOOC (as a group) amounted to approximately RMB156.9 million, RMB176.3 million, RMB46.8 million and RMB78.4 million, respectively, and contributed to approximately 14.3%, 12.1%, 1.8% and 3.9%, respectively, of our total revenue; and our sales to Sinopec (as a group) amounted to approximately RMB88.3 million, RMB104.3 million, RMB220.6 million and RMB96.1 million, respectively, and contributed to approximately 8.0%, 7.2%, 8.4% and 4.8%, respectively, of our total revenue. For overseas markets, our steel pipe products are exported to customers in over 50 countries and regions in the Middle East, European Union, America, and Southeast and Central Asia, with the Middle East being a market of growing significance. We have built up a broad and geographically diversified customer base with more than 690 customers as at 31 August 2009, which comprise oil fields operators, oil companies, gas companies, petrochemical companies, trading firms and engineering firms worldwide.

As a result of the overall increasing trend of the oil and natural gas prices in the past few years, the industry experienced massive investments in exploration and drilling activities during the recent years. Moreover, the increasing demand for and consumption of natural gas worldwide boost the transportation infrastructure. Higher usage of natural gas requires better and more economical transportation medium thus stimulate the construction of more pipelines. The growth in the global demand for crude oil in recent years has led to a corresponding increase in capital expenditure on crude oil exploration, refining and transmission. In China, capital expenditure on oil and gas exploration and production has also risen steadily in recent years and capital expenditure of China's three main oil and gas conglomerates (CNPC, CNOOC and Sinopec) increased from approximately RMB85.7 billion in 2003 to approximately RMB252.1 billion in 2008, representing a CAGR of approximately 24.1%.

Our steel pipe products can be broadly categorised into LSAW steel pipes and ERW steel pipes. As at the Latest Practicable Date, we had three production lines for LSAW steel pipes and one production line for ERW steel pipes with an aggregate annual production capacity of 1,150,000 tonnes of longitudinal welded steel pipes. Our principal production base is located in Panyu, Guangdong Province, the PRC, where our major production facilities, including two production lines for LSAW steel pipes, one production line for ERW steel pipes and various ancillary production facilities, such as coatings and fittings, are housed. We also established one LSAW steel pipes production line in Jiangyin, Jiangsu Province, the PRC to meet the growing demand for such product in the PRC and other countries and regions in the Middle East, Europe, America, and Southeast and Central Asia.

The following table shows the breakdown of our revenue by business lines during the Track Record Period:

	Year ended 31 December						Eight months ended 31 August	
	2006		2007		2008		2009	
	RMB'000	*% of revenue*	*RMB'000*	*% of revenue*	*RMB'000*	*% of revenue*	*RMB'000*	*% of revenue*
Manufacture and sale of steel pipes								
LSAW steel pipes	800,234	72.8	1,190,292	81.6	2,213,126	84.3	1,270,428	62.9
ERW steel pipes	211,947	19.3	174,290	12.0	201,180	7.7	633,111	31.3
Steel pipe manufacturing services								
LSAW steel pipes	40,054	3.6	44,134	3.0	162,773	6.2	29,721	1.5
ERW steel pipes	20,633	1.9	4,992	0.4	3,738	0.1	2,568	0.1
Others *(Note)*	26,873	2.4	44,320	3.0	43,822	1.7	85,475	4.2
	1,099,741	100.0	1,458,028	100.0	2,624,639	100.0	2,021,303	100.0

Note: Others mainly include manufacturing and sale of steel fittings, trading of steel pipes and sale of scrap materials.

We use JCOE or UOE production methods in the production of LSAW steel pipes. Among the three LSAW steel pipes production lines operated by our Group as at the Latest Practicable Date, two adopt the JCOE production method with an aggregate annual production capacity of 600,000 tonnes and one adopts the UOE production method with an annual production capacity of 400,000 tonnes. The ERW steel pipes production line has an annual production capacity of 150,000 tonnes.

The revenue generated from our manufacturing and sale and manufacturing services of LSAW steel pipes accounted for approximately 76.4%, 84.6%, 90.5% and 64.4% of our total revenue (i.e. represents a majority portion of our total revenue) for each of the three years ended 31 December 2008 and the eight months ended 31 August 2009, respectively.

During the Track Record Period, the revenue generated from the manufacture and sale of ERW steel pipes accounted for approximately 19.3%, 12.0%, 7.7% and 31.3%, respectively, of our total revenue. When compared to LSAW steel pipes, technical requirements for the production of ERW steel pipes are relatively lower and the product specifications of ERW steel pipes are, in general, more standardised. The market competition of ERW steel pipe products is thus very keen and the gross profit margin for such products is usually lower than that of LSAW steel pipe products. However, during the eight months ended 31 August 2009, the sales volume of our ERW steel pipes increased by approximately 351.5% and the average selling price increased by approximately 78.3% as compared to those for the eight months ended 31 August 2008, which is mainly attributable to our success in our bid to secure big orders for an aggregate of over 44,000 tonnes of ERW steel pipes from a major customer in the Sultanate of Oman, which our Group has two years' trade relationship with, in July 2008 with a higher average selling price as a result of the customer's special technical requirement for anti-corrosive ERW steel pipes. The revenue generated from the manufacture and sale of such ERW steel pipes to the major customer in the Sultanate of Oman was approximately RMB550.5 million for the eight months ended 31 August 2009 and all the ERW steel pipes in relation to such sales order were delivered during the eight months ended 31 August 2009. Following the completion of this sales order and up to the Latest Practicable Date, our Group did not secure any recurring sales order from that major customer in the Sultanate of Oman and there had been no further sales orders placed by that major customer in the

Sultanate of Oman or other customers for similar ERW steel pipes. Due to our project-originated business model, our Directors are not in the position to comment on whether our Group will be able to obtain recurring or further sales orders for similar kind of ERW steel pipes from this major customer in the Sultanate of Oman in the future. If our Group cannot obtain the sales for similar kind of ERW steel pipes from such customer or other customers, our revenue from the manufacture and sale of ERW steel pipes may decrease significantly in the coming years and the profitability of our Group in the future may be adversely affected.

Despite these relatively lucrative orders for ERW steel pipes, our Directors remain convinced that the market potential for LSAW steel pipes is more prominent than that for ERW steel pipes as LSAW steel pipes can be used in more demanding applications, such as high pressure and deep water gas and oil transmission projects, due to their weld strength and quality. As such, we were more focused on the development of our LSAW steel pipe products during the Track Record Period and will continue to do so in the near future with a view to improving our overall gross profit margin while we will still consider to take up profitable sales orders for ERW steel pipes when we have spare production capacity and resources to accommodate those sales orders.

There were significant changes in our Group's product mix, sales mix and geographical revenue segment during the Track Record Period, which changes were to a large extent due to the different place of originations and product specifications of the sales contracts or orders which we secured worldwide and which are project based with no significant correlation with the historical trend of our sales. As such, our Directors believe that the significant changes in our results (and product mix, sales mix and geographical revenue segment) are rather erratic and should not be taken as a general characteristic of the industry in which we operate.

OUR COMPETITIVE STRENGTHS

We attribute our success to several principal competitive strengths which will enable us to maintain our preeminent position in the market and bolster our future prospects. These competitive strengths include:

We have a long-standing track record and well-established reputation in the industry

Our brand "PCK" was established in 1993. In 1996, our steel pipe products were awarded as 廣東省優秀新產品 (Guangdong Province Outstanding New Product*). In 2005 and 2006, our Group was awarded two 冶金產品實物質量金杯獎 (Gold Cup Prizes for Actual Quality of Metallurgical Products*) and 中國名牌產品 (China Top Brand Product*). PCKSP was recognised by Shell Global Solutions International B.V. as one of the registered compliants with the Shell Global Solutions' Design and Engineering Practices in 2009 and specified Shell Global Solution's piping specifications in 2008 and 2009. Furthermore, we have obtained certifications from DNV and the ISO 9001:2000 certifications until 2010. Given the above, our brand "PCK" is well-recognised as high quality steel pipes and we have established reputation in the steel pipe industry. We have also received accreditation from various entities since our establishment, details of which are set out under the paragraph headed "Awards and recognitions" in this section.

We have a solid, broad and geographically diversified customer base

We have an established worldwide sales network. Our steel pipe products are sold to customers in over 50 countries and regions, such as the PRC, the US, the Middle East, European Union, America and Southeast and Central Asia, with Middle East being a market of growing significance. Notwithstanding that the sales to our five largest customers in aggregate accounted for approximately 48.1%, 37.1%, 48.0% and 57.1% of our total revenue for each of the three years ended 31 December 2008 and the eight months ended 31 August 2009, respectively, we have built up a solid, broad and geographically diversified customer base with more than 690 customers as at 31 August 2009. During the Track Record Period, the number of our active customers were 168, 120, 113 and 96, respectively. The decrease in the number of active customers during the Track Record Period was mainly attributable to our strategy to focus on the development of our LSAW steel pipe products as well as on the customers with larger order size. These customers comprise oil fields operators, oil companies, gas companies, petrochemical companies, trading firms and engineering firms worldwide.

Our Directors believe that the business relationship with these renowned customers has proven their recognition of the quality products and services of our Group, and our Directors consider these recognition and goodwill to be a key factor to succeed in the industry. Our worldwide sales network would also allow us to expand our sales more easily and reduce the market risk of being over-dependent on a single market.

Our sizeable production capacity allows us to take advantage of economies of scale

Currently, we have four steel pipe production lines with an aggregate annual production capacity of 1,150,000 tonnes of longitudinal welded steel pipes, and these lines are supported by our ancillary production facilities for coatings and fittings. With such production facilities, we are able to benefit from economies of scale and produce a large volume of longitudinal welded steel pipes at a lower average cost, which in turn allow us to market our steel pipe products at a competitive price. This has strengthened our position as one of the leading manufacturers of steel pipe products in the PRC and we will continue to improve and fine tune our production facilities to maintain our competitiveness. Our scale of production also provides us with flexibility to accommodate changes in market demand and enables us to meet requirements of a spectrum customers.

We have advanced production facilities capable of accommodating customers' requirements

We acquired our first JCOE production line in 1998 and according to CSPA, we are the first manufacturer establishing large diameter LSAW steel pipes production line in the PRC. Our JCOE production lines adopt continuous axis contorting J-C-O formation process with the characteristics of high forming accuracy and efficiency as well as balanced distribution of forming stress. Our JCOE production lines have the flexibility of producing pipes with different specifications within its production range.

As confirmed by CSPA, we are also the first manufacturer in the PRC that introduced and mastered UOE production method for producing LSAW steel pipes and are also one of a few manufacturers doing so in the PRC. According to different customers' requirements, the welded steel pipe produced using this method can also be expanded by mechanical or hydrostatic expander to enhance the dimension accuracy and eliminate residual stress. The UOE production line is characterised by high production efficiency, stable product quality and various accessories for manufacturing and inspection, and is superior to other production methods as it ensures more uniformity in strength throughout the body of the steel pipe and higher ability to withstand pressure, thereby reducing the risk of damage. To the best knowledge of our Directors, we are one of a few manufacturers in the PRC which possess both JCOE and UOE production lines for the manufacturing of LSAW steel pipes. With this distinguishing ability, we are able to produce different types of steel pipes with the most suitable production lines, and thus can make the best use of our equipment to raise the quality of our steel pipe products and reduce production costs. LSAW steel pipes produced using the JCOE and UOE methods can be applied in large scale energy and infrastructure projects.

With both the JCOE and UOE production lines, we are capable of producing LSAW steel pipes with a wide range of outside diameter from 406 mm to 1,829 mm and wall thickness from 6.0 mm to 54.0 mm. Such a wide and comprehensive production range enables us to lead an advantage as we can provide steel pipes of different dimensions that satisfy the specific needs of our customers.

We are the forerunner participating in the development of steel pipe industry of the PRC

We pay special attention to new industry standards and take the initiative to introduce new products into the PRC market.

In December 2006, our LSAW steel pipes were recognised by 廣州市科學技術局 (Guangzhou City Science and Technology Bureau*) to meet the X80 standard and are considered suitable for application in 西氣東輸二綫計劃 (Second West – East Gas Pipeline Project*) after the satisfactory completion of tests supervised by TGRC. According to TGRC, we are one of the four LSAW steel pipe manufacturers recognised to have the capabilities to produce LSAW steel pipes that meet the X80 standard that are considered suitable for application in major national pipeline projects in the PRC. The 西氣東輸二綫計劃 (Second West – East Gas Pipeline Project*) covers 14 provinces starting from Xinjiang and extends eastward to Shanghai and southward to Guangzhou with a total distance of approximately 9,000 km and total investment cost of which is estimated to be over RMB140 billion. The project will consist of one trunk line of approximately 5,000 km (with X80 steel standard) and eight feeder lines of approximately 4,000 km (with X70 steel standard). Utilisation of steel products is estimated to be approximately 4.4 million tonnes. We have the capability to produce the X80 pipe lines and we will closely monitor the progress of the project and submit tender for the supply of steel pipes in due course.

We are also one of the drafters of the national standard for welded steel pipes (namely, 焊管工藝設計規範 (Code for Design of Welded Pipe Process*) in the PRC. In 2006, 中國國家標準化管理委員會 (National Standardisation Technical Committee*), 中國冶金建設協會 (China Metallurgical Construction Association*), 中國鋼鐵工業協會 (China Iron & Steel Association*) entrusted PCKSP to draft and edit several national standards for the design of welded steel pipes in the PRC. Our Directors believe that our continuous involvement in industry standard development will help enhance our reputation within and outside of the PRC which will in turn be beneficial to our Group's development.

Capitalising on our past experience in manufacturing high quality steel pipes for applications in oil and gas projects, we strive to explore various business opportunities in the steel pipe industry by broadening the application of our steel pipe products. We have recently developed a new type of steel pipes suitable for application in steel tubular tower and have successfully won the bidding in April 2009 to provide longitudinal welded steel pipes for The Huainan – Shanghai 1000KV transmission and transformation project under the project of "Eastward Power Transmission from Anhui". This project is a long-distance power grid construction project in the PRC and also China's first 1000KV grade double-circuit extra high voltage transmission project. According to the framework agreement dated 14 April 2009 entered by our Group in relation to this project, the size of such sales order is expected to be approximately 100,000 tonnes of longitudinal welded steel pipes with a total contract sum of approximately RMB500 million. It is expected that the production of the steel pipe products for this project will be scheduled during the second and third quarters of 2010. All tubular towers are made of steel pipe components that are classified under the same category of our Group's LSAW steel pipes, but with special specifications to suit the requirements of power grid constructions, and the design of the towers is simple with the advantages of lightweight and reliable which enhance its ability to resist natural disasters under extreme conditions. This is the first time that a large-scale steel tubular tower has been used in the transmission of electricity in China.

The manufacturing process of steel pipe products includes forming, welding, expanding and inspection, but excludes assembling, while tubular towers have to undergo manufacturing process including processing and assembling by using steel pipe products but excluding forming and expanding. The new type of steel pipes are produced by our Group's existing LSAW steel pipes production line, but such new type of steel pipes with special specifications require further processing by specialised production equipment and additional technical knowhow to suit the requirements of power grid constructions. To the best knowledge of our Directors, there is no major difference in the profit margin of our existing steel pipe products and the new type of steel pipes. The successful bidding for the above project signified a great success of our research in new applications on electricity transmission circuit towers and highlighted the advanced designs, the highly reliable operation and cost effectiveness of our steel pipe products in the application of extra high voltage transmission lines longitudinal steel tubular towers.

Although no sales attributable to the above-mentioned new products was recognised as at the Latest Practicable Date, to the best knowledge of our Directors, 國家電網公司 (State Grid Corporation of China*) is encouraging the construction of tubular towers in China. Therefore, it can reasonably be expected that there will be a significant demand for steel pipes for power grid construction projects in China in the coming years. In addition, 國家電網公司 (State Grid Corporation of China*) has prescribed a set of standards for the steel pipes used for the construction of tubular towers, and our Group has acquired the capability and technology to manufacture steel pipe products which are able to meet those standards as evidenced by the successful winning of the bidding for the power grid construction project in April 2009. In view of the potential demand for the new type of steel pipe products in the coming years, and our Group's ability in meeting the standards set by 國家電網公司 (State Grid Corporation of China*), our Directors believe that if our Group proactively participates in bidding of other power grid construction and infrastructure projects in the future, it is probable that our Group's revenue from infrastructure and construction projects will recur after the completion of the abovementioned power grid construction project.

We have stringent quality control

Steel pipes used for oil and gas transmission require high level of durability and quality to ensure safety in the transmission process and therefore we place great emphasis on quality assurance and control systems.

We have established and maintained a quality assurance system in accordance with ISO 9001:2000 and API Specifications 5L, 5CT and Q1. Our quality control team is equipped with sophisticated inspection equipment such as steel plate ultrasonic tester, welded seam ultrasonic tester, weld seam X-ray tester, hydraulic tester, etc. Our measurement management system is also certified by 廣東省質量技術監督局 (Guangdong Province Quality and Technique Supervision Bureau*) as complying with the provincial secondary measurement management system which possesses various testing instruments such as universal raw material testers, low temperature impact testers, drop-weight tear tester, computerised vacuum direct-read automatic spectrum analysis instrument and microscope for metal analysis, etc. Our steel pipe products also comply with various international standards prescribed by API, DNV, BSI, etc.

We have experienced management and technical staff

Our strong and highly motivated sales team has enabled us to sustain good business relationships with our existing customers and to develop new business relationship with potential customers. Members of our team possess relevant experience and technical knowledge to handle customers' queries and to recommend value-added and customised products and services to meet their needs. Dedicated marketing personnel is assigned to serve our major customers in order to ensure timely response to their needs and enhance overall customer satisfaction.

Mr. Chen, a founder of our Group, has extensive technical, management and operational experience in the steel pipe industry. To enhance management efficiency of our Group, we have employed a team of senior management with concrete experience in steel pipe operations to assist our Board in the daily management of our business. Please refer to the section headed "Directors, senior management and staff" in this prospectus for further details on their qualifications and experience.

We have strong research and development capabilities

We place strong emphasis on research and development to introduce new products that cater to our customers' needs, expand our product range, keep ourselves abreast of the latest developments in technology, and to improve our existing production capacity and existing products. As at the Latest Practicable Date, our research and development team comprised 45 persons, all of whom received tertiary education with some of them having obtained doctoral degrees.

Our team members possess expertise in different areas including forming, machinery design, welding, hydraulic pressure, automation and non-destructive testing. Based on their sound technical knowledge, flexibility and innovations, we have developed proprietary mechanical expanding equipment at internationally advanced level. As at the Latest Practicable Date, we registered 43 patents[*(Note)*] in relation to steel pipes production machineries and methods.

Our Directors believe that our professionals are significant to our success and sustainable development. In order to keep them abreast of the latest development of technology and management, we second our senior managers and research and development team members to further studies on a regular basis. Under the auspice of our Group, 20 executive staff obtained a diploma from the 卓越總裁領導力高級研修班 (Distinct Director Leadership Advanced Course*) of 中山大學 (Sun Yat-Sen University*) in 2008. Four executive staff graduated with a master's degree in business administration from 亞洲(澳門)國際公開大學 (Asia International Open University (Macau)*) in December 2009. The other 16 executive staff are expected to submit their dissertations in early 2010 and are expected to graduate with a master's degree in business administration in

Note: As at the Latest Practicable Date, the relevant patent registration certificates in respect of two of the 43 patents in relation to steel pipes production machineries and methods were pending publication by way of public notice in the PRC. Please refer to the paragraph headed "Intellectual property rights of the Group" in Appendix VI to this prospectus for further details.

2010. On the other hand, seven technical staff are attending the engineering master class in 西安交通大學 (Xian Jiaotong University*). In 2008, our Group organised an adult workers education (university) course with 番禺區成人教育中心 (Panyu Adult Learning Centre*) and 韶關學院 (Shao Guan College*) and currently there are 53 staff members attending university level course in mechanics.

OUR STRATEGIES

We strive to be a leading manufacturer of high quality longitudinal welded steel pipe products in the PRC and will continue to seek opportunities to realise sustainable growth of our business. Based on our experienced management team, research and development capabilities, well-established relationships with our major suppliers and customers, and emphasis on the quality of products, our Directors believe that we are well-positioned to capture anticipated growth of the steel pipe markets in the PRC and overseas. We intend to implement the following plans to maintain and capitalise on our strengths so as to enhance our business prospects and profitability.

To increase our production capacity and to enhance our production efficiency and quality assurance and control systems

We intend to further promote our production technical know-how and upgrade our equipment so as to increase our production capacity, improve our production efficiency and enhance our product quality. In addition to investing further in expanding, modifying and upgrading our existing facilities for the production of our steel pipes and ancillary products in our Panyu production base with a view to enhancing our production capacity and efficiency, we entered into a lease agreement with an Independent Third Party in December 2008 for a factory complex in Jiangyin, Jiangsu Province, the PRC, with a total site area of approximately 19,079.81 sq.m. for an initial term of five years from 1 January 2009 to 31 December 2013. We further entered into transfer agreement in December 2009 to purchase the land use rights of the parcel of land on which Jiangyin Factory is erected and the ownership of Jiangyin Factory. Such factory complex housed a new LSAW steel pipes production line and its related ancillary production facilities, all of which commenced trial production in September 2009.

We also seek to enhance our market position by continuing to expand our production capacity and market share. In July 2009, we established PCKSP (Lianyungang) in Liangyungang, Jiangsu Province, the PRC for the planned establishment of a new production base in the region in addition to our existing principal production base in Panyu, Guangdong Province, the PRC and the new production facilities in Jiangyin, Jiangsu Province, the PRC, with a view to capturing business opportunities in Yangtze delta area. Such production base shall include a LSAW steel pipes production line with annual production capacity of 300,000 tonnes. Moreover, we believe that our ability to secure stable supply of quality steel plates (as the principal raw materials we use) will contribute significantly to our future capacity expansion. As such, we intend to expand vertically by establishing a steel plates processing line for, among others, the manufacture of our steel pipes. We have entered into an equipment sales agreement in March 2009 to acquire a steel plates processing equipment which is expected to be installed in the abovementioned planned production base in Liangyungang, Jiangsu Province, the PRC. We estimate to invest at least approximately RMB1.0 billion in this project by using net proceeds from the New Issue and internal resources, and had already paid a total of approximately RMB218.5 million for the establishment of such new production base up to the Latest Practicable Date. We expect the construction and installation of equipment of this production base to be completed in 2012 and to commence commercial production of all the production facilities therein by the end of 2012.

Our Directors expect that such expansion plan can be expedited and with a lower finance cost with the proceeds from the New Issue. As such, part of the net proceeds to be raised from the New Issue will be applied to fund the capacity expansion plan in Lianyungang, Jiangsu Province, the PRC. For details, please refer to the paragraph headed "Proposed use of net proceeds from the New Issue" in the section headed "Future plans and use of proceeds" in this prospectus.

In addition to the above, we plan to use the net proceeds from the Listing to establish a new LSAW steel pipes production line at a strategic overseas location and to modify an existing ancillary production line into a completed LSAW steel pipes production line in Panyu, Guangdong Province, the PRC during 2010 and 2011 with aggregate planned annual production capacity of 600,000 tonnes of LSAW steel pipes. Upon completion of the foregoing capacity expansion plans, we expect our annual production capacity to increase from approximately 1,150,000 tonnes of longitudinal welded steel pipes as at the Latest Practicable Date to approximately 2,050,000 tonnes by the end of 2012.

Furthermore, we will continue to keep a stringent quality assurance and control system and maintain a high standard in the inspection of our raw materials, semi-finished products and finished products. In addition, we will seek advice and collect feedback from industrial expertise and, where appropriate, adopt new measures to modify and improve our quality assurance and control systems.

To expand our distribution network and reinforce business relationship with our customers

We plan to expand our distribution network by cooperating with established international steel pipe distributors. We believe this to be an effective strategy to enlarge the market and geographical coverage of our steel pipe products, and to promote our corporate image and brand recognition in the international arena. Except for the sales and bidding agents disclosed under the paragraphs headed “Sales and marketing” in this section, we are not in negotiation with any other specific distributors and have not identified any such targets as at the Latest Practicable Date. We plan to recruit additional experienced personnel from overseas and establish a new sales and marketing team with a view to tapping business potential in overseas market.

In view of the market opportunities brought about by the 11th Five-year Plan, we expect that the PRC market will continue to be our principal market. Accordingly, we will continue to focus on strengthening the business relationship with our existing customers. We will also collaborate closely with them to identify changing customers’ needs and market demand in order to develop new products or improve existing product mixes.

To strengthen our growth through organic growth, selective acquisitions and partnerships

Our Directors recognise the importance of maintaining a sustainable growth. Apart from relying on expanding the scale of our operations and introducing new products and technology, it is also our plan to conduct selective acquisitions to increase our production capability and market share. Our primary acquisition targets will be other steel pipe manufacturers and/or other complementary production facilities in the PRC, but we will also take into consideration other potential targets worldwide. Other than those production facilities acquisition disclosed elsewhere in this prospectus, we were not in negotiation with any other specific acquisition targets and had not identified any such targets as at the Latest Practicable Date. We may also establish partnerships with other market players in the areas of production, material sourcing, sales and research. Our Directors believe that such partnerships would create synergy effect and our Group could benefit from having lower costs of materials or sales and strengthened technical capabilities. We have been in negotiation with one of our overseas customers for the formation of a joint venture for the production of steel pipes since 2008. However, no specific conclusion was reached between the parties nor did we enter into any legally-binding agreement in this regard as at the Latest Practicable Date. We would comply with the relevant requirements under Chapter 14 of the Listing Rules (including the reporting, announcement and/or independent shareholders’ approval requirements, as the case may be) as and when appropriate.

To strengthen our product research and development capability

Our Directors believe that our commitment to research and development is essential to enhancing our sales and marketing position and our ongoing research and development activities covering manufacturing techniques, processing technologies, quality control help bolster our manufacturing capabilities and improve our production efficiency, which as a result, lower our overall manufacturing costs and enhance our competitiveness. We will continue to place strong emphasis on research and development and we plan to recruit additional research and development staff with experience and expertise in relevant practices as well as allocate more resources to strengthen our in-house training. We will also dedicate more resources to re-engineering and modification of our existing facilities so as to widen our product range and satisfy the ever changing customers’ needs.

To increase our marketing efforts to promote the brand recognition of our steel pipe products marketed under the "PCK" trademark

Currently, all our steel pipes are marketed under the "PCK" trademark. We recognise the importance of developing market recognition of our brand and establishing image of quality products under the "PCK" trademark. Hence, we promote our corporate and product by actively participating in trade fairs, industrial exhibitions and forums worldwide, and we also place advertisements on both online and traditional media. To enhance our brand recognition, we plan to allocate more resources to advertising and promotion activities.

In terms of geographical distribution, while sales in the overseas markets accounted for a significant portion of our Group's revenue during the Track Record Period, we reckon that there is still a huge potential in the PRC market. To further penetrate into the PRC market, we intend to increase our promotion budgets to attend more exhibitions and appoint professionals to improve and enrich our website and marketing materials. We also intend to devote further resources to expanding our marketing platform overseas, in particular, the Middle East where based on the understanding and expectation of our Directors the oil and gas exploitation and supply industry in that region is prospering.

OUR BUSINESS MODEL

We operate our business under a project-originated model through which the sales of our steel pipe products depend largely on the locations of our customers, and/or their end customers, as well as the locations of global pipeline construction projects, and our Group derived a high proportion of our revenue from our major customers in the PRC and a number of customers in over 50 overseas countries and regions during the Track Record Period, which customers base varies from year to year. Our varying customer base results in differing requirements or specifications for our steel pipe products designated by our customers and therefore the application of different processing know-how and technique in the production of the steel pipe products, which are customised for the relevant customer's projects. In addition, we supply our customised steel pipe products to our customers in such amount pursuant to the sales orders or contracts placed by our customers, which amount, as our Directors believe, will in general align with the pre-determined amount required by the relevant customer for its projects. After the signing of the sales contracts with our customers or successfully obtained a tender and within the validity period of the relevant raw material quotations, we will enter into a back-to-back purchase agreement with our suppliers to purchase the quantity of raw materials required in the corresponding sales contracts. As such, this made-to-order operational pattern could minimise our exposure to the risk of inventory accumulation. For details of our Group's sales and marketing activities and our customers, please refer to the paragraphs headed "Sales and marketing" and "Customers" below in this section.

Our sales in the domestic market are mainly made through open or invited tenders or through direct sales. Under the prevailing laws and regulations of the PRC, contractors and suppliers of certain state construction projects have to be selected through tender, and thus our sales to our major customers who are state-owned enterprises are mostly made through tenders. Our subsidiaries in the PRC have been in compliance with the provisions of 《招標投標法》(Law on Tenders and Bids*) when they participated in tendering activities during the Track Record Period. Our Directors and our legal advisers as to PRC law confirm that they were not aware of any punishment imposed on any of our subsidiaries in the PRC due to the violation of 《招標投標法》(Law on Tenders and Bids*).

In Hong Kong, we are a registered supplier of the government logistics department of the Hong Kong government, making us eligible to tender for the supply of pipes in government projects. Our Group also actively tender for the supply contract in various construction and infrastructure projects. In October 2007, we successfully obtained a steel pipe supply contract for a permanent aviation fuel facility in Hong Kong. For each of the three years ended 31 December 2008 and the eight months ended 31 August 2009, revenue generated from such kind of supply contracts in Hong Kong amounted to approximately RMB4.8 million, RMB7.0 million, RMB26.8 million and RMB6.4 million, respectively.

There was an increasing trend of sales to our overseas customers during the Track Record Period. However, our Directors consider that such increasing contribution of overseas sales to our Group does not have any significant financial impact on our gross profit margin. Under our cost-plus pricing model, the difference in the gross profit margin between our domestic and exports sales is insignificant during the Track Record Period. However, as almost all of our exports sales are related to the manufacture and sale of steel pipes, increase in our exports sales virtually leads to a change in sales mix. For the financial impact of change in our sales mix, please refer to the paragraphs headed "Major factors affecting our results of operations and financial conditions" in the section headed "Financial information" in this prospectus. Further, given that most of our exports sales are denominated in US dollars, our exports sales are exposed to foreign exchange risk, the impact of which is discussed in the sections headed "Risk factors" and "Financial information" in this prospectus.

As we sell all of our steel pipe products under our established brand name "PCK", we focus on promoting the "PCK" brand name by participating in exhibitions, trade conferences and product shows, and advertising in newspapers, trade publications and professional journals such as《中國冶金報》(China Metallurgical News*),《焊管》(Welded Pipe and Tube*),《南方鋼鐵》(Southern Steel*),《石油管道報》(Petroleum Pipe News*) and《中華建築報》(China Architecture News*) so as to increase the brand awareness of our steel pipe products among our customers and potential customers, and to associate our brand image with high quality steel pipe products.

As our steel pipe products, especially LSAW steel pipes, are mainly used in pipeline and infrastructure projects worldwide, our Directors believe that any quality failure in the steel pipes used in such projects might potentially bring disastrous consequences to the safety and well being of the public at large and hence the tolerance level for quality failure of steel pipes to be used in infrastructure project is extremely low. Therefore, the manufacturing of our steel pipes that are suitable for use in global pipeline and infrastructure projects requires advance production technology and stringent quality control in order to meet with the stringent international quality standard. Given the above, our Directors believe that the consideration of our product quality, track record and market reputation prevail over that of prices of our steel pipe products when our customers or potential customers are to place orders for our steel pipe products and thus price sensitivity of our LSAW steel pipes are relatively low.

Taking into consideration our "made-to-order" business model, i.e., we produce steel pipe products that are customised to meet our customers' specifications, and the high quality of our steel pipe products, our Directors consider that the various anti-dumping measures imposed by the US and the EU in recent years did not cause any significant adverse impact to the demand of our steel pipe products and our operation as a whole.

OUR PRODUCTS

Steel pipes

Our steel pipe products can be generally classified into LSAW steel pipes and ERW steel pipes. While our steel pipe products can be used in an array of industries, a majority of our steel pipe products are sold to enterprises in the oil, petrochemicals and natural gas industry and used for onshore and offshore conveyance and transmission of oil, petrochemicals, natural gas, city gas and coal slurry. Our steel pipe products are also used for infrastructural purposes, such as water, irrigation and sanitation pipes, steel tubular piles, steel tubular tower, hollow structural sections for buildings, bridges and stadiums, and structural and mechanical pipes in marine engineering projects.

LSAW steel pipes

Our LSAW steel pipes are manufactured according to the requirements of our customers under a strict quality management system which conforms to international quality standards, such as DNV and API standards.

LSAW steel pipes are, in general, of larger diameters (406 mm or 16 inches to 1,829 mm or about 72 inches, and above) than ERW steel pipes. LSAW steel pipes are used in more demanding applications because of their weld strength, such as high pressure and deep water gas and oil transmission. They are mainly used in a range in which seamless steel tubes can no longer be manufactured cost-effectively. There are different types of forming processes, such as UOE and JCOE that are employed to produce LSAW steel pipes from steel plates or steel coils. These processes differ primarily in the method used to form the pipe body.

The UOE production method is considered a more efficient process which achieves highest output, but is also the most capital intensive. The steel pipes produced by our UOE production line have an outside diameter ranging from about 508 mm to 1,118 mm (20 inches to 44 inches).

The JCOE production method is considered to have the advantage of greater flexibility, better quality and lower investment costs. Steel pipes produced by our JCOE production line have an outside diameter ranging from about 406 mm to 1,829 mm (16 inches to 72 inches).

As early as back in 1996, our principal operating subsidiary, PCKSP, obtained qualification certificate from API permitting the use of API Monogram and the manufacturing and processing line pipes in accordance with API specification 5L and on the manufacturing and processing casing or tubing pipes in accordance with API specification 5CT. Certification from API is widely regarded and used by established enterprises in the oil and natural gas industry as an effective means in assessing whether the production or operating standards of manufacturers of oil and gas related products are in compliance with generally accepted industry standards.

ERW steel pipes

Our longitudinal ERW steel pipes are manufactured in compliance with international technical standards, such as API specification 5L, according to the requirements of our customers and are manufactured under a strict quality management system which conforms to international quality assurance standards such as API specification Q1 and ISO 9001:2000.

ERW steel pipes are in general characterised by low production cost and high dimensional precision, and given the limitation of their sizes (in terms of outside diameter), these steel pipes are widely used in onshore or shallow offshore applications in smaller scale projects, such as water, irrigation and sanitation pipes, hollow structural sections for construction and mechanical pipeline, and line pipes for transmission tubes and city tube networks. It is considered that offshore application may require longitudinal welded steel pipes, such as LSAW steel pipes given its weld strength.

Our ERW steel pipes can be classified into three types according to their cross-sections: round pipes, square pipes and rectangular pipes. Each type of products is available in various sizes to cater for the requirements of different customers.

Our round pipes have outside diameter ranging from 114 mm to 356 mm (about 4.49 inches to 14 inches) and wall thickness ranging from 3.0 mm to 12.7 mm (about 0.12 inch to 0.50 inch), which are mainly used as sub-tubes in the transmission of oil and gas.

We are also capable of producing square pipes which have a cross section ranging from 100 mm x 100 mm to 250 mm x 250 mm (about 3.94 inches x 3.94 inches to 9.84 inches x 9.84 inches) with wall thickness ranging from 3.0 mm to 10.0 mm (about 0.12 inch to 0.39 inch) and rectangular pipes with cross section ranging from 120 mm x 80 mm (about 4.72 inches x 3.15 inches) to 350 mm x 150 mm (about 13.78 inches x 5.9 inches), with wall thickness ranging from 3.0 mm to 10.0 mm (about 0.12 inch to 0.39 inch). Both the square and rectangular pipes are mainly used for construction purposes.

Ancillary products and services

In addition to our steel pipe products, we also engage in the provision of ancillary products and services such as coatings and fittings as value-added services to our customers according to their specifications. The provision of these processing services will mainly depend on our production schedule and the availability of production capacity in support of our steel pipe business. The processing fees for coating services are charged mainly based on cost plus certain profit margin on top of the selling price of the steel pipes customers acquired from us. As for fittings, we normally charge our customers the raw material costs and manufacturing fees as in the case of charging our customers of our steel products.

Coatings

According to different applications and customers' requirements, we can provide various coating and lining in accordance various international standards. The products of our Group comply with various international standards such as API Specifications 5L, 5CT and Q1, DNV, ISO, ASTM, etc. Our coating services include single or double layer fusion bond epoxy coating, two or three layers polyethylene or polypropylene coating, internal or external bitumen coating, internal cement lining and internal liquid epoxy coating. The coating can prevent the steel pipes from corrosion and rust, and as such, the coating can improve the durability of the pipes. Different coating and lining will be used for pipes for different applications.

Fittings

To meet the requirements of different pipeline projects of our customers, we also provide an array of fittings such as induction bend, elbow, reducer, tee, cross, etc. which are used as ancillary components of the pipelines.

PRODUCTION

Production facilities

As at the Latest Practicable Date, our main production facilities consisted of four sets of production machinery which has an aggregate annual production capacity of 150,000 tonnes of ERW steel pipes, 600,000 tonnes of LSAW steel pipes (JCOE production line) and 400,000 tonnes of LSAW steel pipes (UOE production line).

Three of our steel pipe production lines are located at our headquarters in Panyu, Guangdong Province, the PRC which comprise a two-storey office building, a single storey workshop building and three single storey buildings accommodating two production lines for LSAW steel pipes, one production line for ERW steel pipes, and various workshops for electricity plant, air compressor and water pump, with a total gross floor area of approximately 72,718.97 sq.m.

The fourth production line, which produces LSAW steel pipes using JCOE method, is located at our new production plant in Jiangyin, Jiangsu Province, the PRC. The establishment of this new production line did not cause material changes in our Group's operational, trading and financial position for the four months ended 31 December 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 of our Group, the balance of inventory as per the accounting records of this new production line was nil as at 31 December 2009.

(ii) According to the unaudited financial information of our Group, the addition to property, plant and equipment 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 of our Group, the operating costs incurred by this production line for the four months ended 31 December 2009 were approximately RMB877,000 which only represents approximately 0.2% of the 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.

The following table summarises the details of our major production facilities and products manufactured by each of the production lines during the Track Record Period and up to the Latest Practicable Date:

	Outside diameter *(mm)*	Wall thickness *(mm)*	Description of products manufactured and applications	Date of commencement of commercial production
LSAW steel pipe				
UOE production line (Panyu)	508-1,118	6.4-25.4	Steel pipes used in pipelines for oil, gas and water transmission; building construction, steel tubular tower and other infrastructure	September 2002
JCOE production line (Panyu)	406-1,829	6.0-25.4		November 1998
JCOE production line (Zhangjiagang)(1)	406-1,626	6.0-60.0		March 2008
JCOE production line (Jiangyin)(2)	406-1,626	6.4-54.0		January 2010
ERW steel pipe				
ERW steel pipes production line (Panyu)	114-356	3.0-12.7	Includes round, square and rectangular steel pipes mainly for oil, gas and water transmission; public transportation; chemical industrial use, irrigation and building construction as well as hollow structural sections for building construction; structural pipes	July 1995

Notes:

1 This JCOE production line (Zhangjiagang) was disposed of by our Group in August 2009 since the lessor of the factory complex (comprising a parcel of land with two major buildings and structures erected thereon) for such JCOE production line failed to provide valid title certificates or other relevant documents evidencing that the lessor has the requisite title or right to lease such property and therefore the lease agreement has not been duly registered in compliance with the PRC law.

2 A new JCOE steel pipes production line with annual production capacity of 300,000 tonnes. It commenced trial production in September 2009 and commercial production in January 2010.

The following table sets out the annualised production capacities, average utilisation rates and respective production volumes of each of our production line of steel pipes during the Track Record Period:

	Year ended 31 December			Eight months ended 31 August
	2006	2007	2008	2009
	(tonnes)	*(tonnes)*	*(tonnes)*	*(tonnes)*
Annual production capacity [(1)]				
UOE production line (Panyu)	400,000	400,000	400,000	400,000
JCOE production line (Panyu)	300,000	300,000	300,000	300,000
JCOE production line (Zhangjiagang) [(2)]	–	200,000	200,000	200,000
ERW steel pipes production line (Panyu)	150,000	150,000	150,000	150,000
Actual production volume				
UOE production line (Panyu)	87,052	155,046	158,475	64,646
JCOE production line (Panyu)	49,152	52,373	111,966	28,708
JCOE production line (Zhangjiagang) [(2)]	–	18,138[(3)]	152,711	23,807
ERW steel pipes production line (Panyu)	67,752	37,730	48,770	54,439
Converted actual production volume [(4)]				
UOE production line (Panyu)	163,279	294,390	303,691	192,536
JCOE production line (Panyu)	100,806	258,657	340,610	177,566
JCOE production line (Zhangjiagang) [(2)]	–	22,446	196,922	98,148
ERW steel pipes production line (Panyu)	100,553	40,908	75,992	121,608
Average utilisation rate				
UOE production line (Panyu)	41%	74%	76%	72%
JCOE production line (Panyu)	34%	86%	114%[(5)]	89%
JCOE production line (Zhangjiagang) [(2)]	–	34%[(6)]	98%	74%
ERW steel pipes production line (Panyu)	67%	27%	51%	122%[(7)]

Notes:

(1) The annual production capacity is the maximum achievable capacity determined based on certain assumptions including, among others, optimum pipe diameter and wall thickness, number of sustainable working days per year, regular maintenance, allowances for equipment shutdown for repair, and mould and tooling changes. During the three years ended 31 December 2008, we conducted certain equipment modification and upgrade on our UOE, JCOE and ERW steel pipes production lines in Panyu, Guangdong Province, the PRC through our ongoing research and development efforts to improve our production efficiency. However, as advised by LCH (Asia-Pacific) Surveyors Limited, an independent firm of professional surveyors and an Independent Third Party engaged and commissioned by our Group to conduct an assessment of the production capacity and utilisation rate of our production lines, it is impracticable to quantify the production capacity of these production lines during that period retrospectively. Therefore, the respective annual production capacity for our UOE, JCOE and ERW steel pipes production lines in Panyu, Guangdong Province, the PRC for each of the three years ended 31 December 2008 has been assumed to be the same as that for the eight months ended 31 August 2009 for consistency purpose.

(2) This production line commenced trial production in October 2007 and commercial production in March 2008. The average utilisation rate of this production line during the Track Record Period was mainly resulted from the fact that we intentionally shifted some of our orders of pipes with relatively larger sizes to such production line for its trial run during its trial production period. This JCOE production line (Zhangjiagang) was subsequently disposed of by our Group in August 2009.

(3) Production volume for the test run and trial production period for the four months ended 31 December 2007.

(4) The converted actual production volume is derived from actual production volume adjusted by certain assumptions including, among others, optimum pipe diameter and wall thickness.

(5) Higher utilisation rate of the JCOE production line (Panyu) for the year ended 31 December 2008 was due to a large order for pipes with similar pipe diameter and wall thickness during that period which thereby reduced the time for mould and tooling changes as well as the shift change downtime. Moreover, to satisfy our customers' orders during that period, we added more workers and shortened our staff's holidays for the Chinese New Year in 2008 which resulted in high utilisation rate for the JCOE production line (Panyu) in 2008.

(6) The annualised average utilisation rate is pro-rated for the four months ended 31 December 2007.

(7) About 85% of the production of the ERW steel pipes production line was for the same size (ϕ168.3 mm) pipe with large quantities per production run resulting in reduced mould change time and resulted in significantly high production utilisation rate during the eight months ended 31 August 2009 when compared to the annual production of the same production line in previous years.

Our production line in Zhangjiagang, Jiangsu Province, the PRC was sold to an Independent Third Party in August 2009 at the consideration of RMB119.15 million which was determined after arm's length negotiation between our Group and the buyer after taking into account (i) the costs of relevant individual components of production facilities, including the spare parts and the machineries; and (ii) the time and effort we spent in the installation and assembly of different spare parts and machineries into a complete steel pipes production line. Our Directors believe that as the buyer could start production of LSAW steel pipes immediately with such production facilities, and therefore, the buyer was willing to pay certain premium to our Group for the acquisition of the said production line. The total cost of the production line is approximately RMB97.9 million which mainly include the cost of spare parts and machineries.

Our Directors consider that although the buyer of this Zhangjiagang production line may produce similar type of LSAW steel pipe products to our Group, the potential competition from this buyer following our disposal of the production line will not cause significant adverse impact on our Group's competitive advantages since our Directors consider that the success of our Group is attributable to various factors other than the production facilities, such as the ability to produce quality steel pipes with advanced production technology and the ability to secure quality and sizeable sales orders. In addition, our Group or our steel pipe products have obtained various industry quality certifications such as API, DNV and BSI which, our Directors believe, are essential for the manufacture and sale of LSAW steel pipes for the use of global pipeline projects. As such, our Directors believe that the buyer of this Zhangjiagang production line will not pose any material competition threat to our Group by merely acquiring the production line from us.

Moreover, although the production line in Zhangjiagang, Jiangsu Province, the PRC was capable of producing steel pipes with wall thickness of up to 60 mm (whereas the production line in Jiangyin is currently capable of producing steel pipes with wall thickness of 54 mm), our Group did not have significant amount of sales orders for steel pipes with such thickness requirements during the Track Record Period. For each of the three years ended 31 December 2008 and the eight months ended 31 August 2009, the sales of steel pipes with wall thickness exceeding 54 mm are nil, nil, approximately RMB1.1 million and nil, respectively. In view of such insignificant amount of sales of steel pipes of up to 60 mm thickness, our Directors are of the view that the impact of disposing of the production line in Zhangjiagang, Jiangsu Province, the PRC without replacing a new production line with similar production capability in terms of wall thickness of steel pipes produced (i.e., more than 54 mm) in Jiangyin, Jiangsu Province, the PRC is minimal to our Group.

Meanwhile, we have set up a new production line in Jiangyin, Jiangsu Province, the PRC with an annual production capacity of 300,000 tonnes of LSAW pipes in order to replace the production line in Zhangjiagang, Jiangsu Province, the PRC. As a result of such production line replacement, our Group's aggregate annual production capacity of LSAW steel pipes increased from 900,000 tonnes for the eight months ended 31 August 2009 to 1,000,000 tonnes for the four months ended 31 December 2009 and the net effect of this replacement on the aggregate production capacity of our Group's LSAW production lines is only approximately 100,000 tonnes. Nevertheless, our Directors consider that the actual effect on our Group's trading and operational position attributable to the additional production capacity of the production line in Jiangyin, Jiangsu Province, the PRC to our Group as a whole is minimal given the fact that, the annualised production capacity of our Group's LSAW steel pipes only increased from 900,000 tonnes to approximately 933,333 tonnes after the said production line replacement, representing an increase of approximately 3.7%.

Our production lines normally operate on a continuous basis, subject to the necessary temporary stoppage for machine cleaning, calibration of production facilities for different product specifications as well as regular inspection and maintenance work. Our Group conducts annual maintenance and overhaul on our production lines during Chinese New Year for approximately 10 days. During the Track Record Period, we had not experienced any material disruption to our business operations as a result of malfunctioning of our production equipment. As changes in our equipment utilisation rates can have a significant effect on our unit costs and gross profit margins, we therefore plan our production schedules carefully so as to minimise the shutdown time required for modifying our production machines for changes in product and specification.

As at the Latest Practicable Date, our production team consisted of more than 1,000 staff. We organise our production staff into three shifts, while each shift works eight hours per day and seven days a week, so that we can maximise our production capacity.

Machinery and equipment

Most of our major machinery and equipment, such as weld temperature controller, on-line seam annealer, on-line ultrasonic tester, hydrostatic tester and off-line ultrasonic tester, edge mill, crimping press, hydrostatic testing and expanding machine and welding equipment are precise, sophisticated, computerised and numerically controlled machinery. A majority of them were manufactured by foreign manufacturers in Germany, the United States and Taiwan. The time required for ordering and delivery of machinery and equipment from these foreign manufacturers was about three months. The repair and maintenance services for all machinery and equipment are available in the PRC in the local service centres of these foreign manufacturers. However, during the Track Record Period, the daily and annual maintenance works of our production equipment were mainly conducted by our in-house technicians.

Apart from acquiring machinery and equipment from third parties, we also, through our own research and development team, design and develop specific equipment, such as 大直縫埋弧焊管快速生產方法 (Fast producing methods for large LSAW steel pipes*) for, and tooling for the forming unit of, our steel pipe production line.

Over the years, we have developed sound equipment installation and application skills which have managed to minimise the time required for equipment installation. Leveraging on such expertise and experience, we have been able to complete the installation of our UOE production line within one year, which our Directors believe to be relatively short compared to other manufacturers in the industry.

In addition, we have successfully set up a mechanical pipe expanding facility and ultrasonic testers and have registered various patents in relation to expanding, edge planning and end facing techniques, which are applied in the production of both LSAW steel pipes and ERW steel pipes.

Production process

LSAW steel pipes production line

Rotating JCOE production line

The following illustrates the major steps involved in the production of LSAW steel pipes by the rotating JCOE production line:

Inspection on raw materials

First of all, to ensure that the raw materials meet the technical requirements, we will conduct ultrasonic scan on the steel plates using parallel band or grid scanning mode and will examine both sides of steel plates using a turning device.

Edge milling

Upon satisfactory quality check, the steel plates are then positioned for edge planing on both sides in order to produce a shape required by welding process.

Forming

A steel plate is crimped and formed in two processes. As the mandrel turns under power, the steel plates move together as a result of friction and remain still relative to the roll surface. In the first forming process, half of the steel plate bent along the roll face under the bending movement created by the mandrel and the supporting roller. After the mandrel stops turning, the section of the steel plate is in "J" shape. After the first half of a steel plate has passed through the forming machine, the remaining half of the steel plate will then be fed into the mandrel to make an "O" shape in the end. In this process, the section of the steel plate will transitionally turn into "C" shape. After being formed into an "O" shape, the steel plate is drawn out of the mandrel and fed into the following process.

Pre-welding, interior welding and exterior welding

After the forming process, the steel plate becomes a steel roll with an open end, which is to be welded to turn the steel roll into a pipe. This process is called pre-welding. The pre-welded pipes then have to undergo further interior and exterior welding processes so as to satisfy industrial requirements.

Mechanical expansion

After the forming and welding process, the welded steel pipe's diameter has to be expanded with mechanical expansion machine to make it more circular.

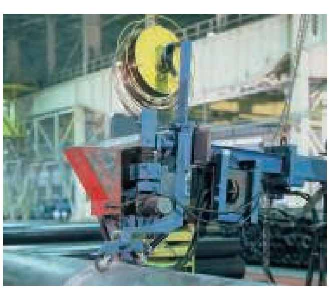
Edge trimming

Subsequent to mechanical expansion, the edges of the steel pipes are trimmed as per clients' requirements. This process is completed by an edge-trimming machine.

Ultrasonic and X-ray testing and quality control

After edge-trimming, the quality control staff will conduct quality tests using ultrasonic and X-ray testers, then they will assess the exterior and interior quality of the steel pipes. The quality inspection results and the mechanical properties of the steel pipes have to meet certain requirements.

Girth welding



As our clients may require steel pipes of different length, the steel pipes will then be girth welded after passing ultrasonic and X-ray tests.

Labelling and packaging

After all the inspection and tests, specifications of the steel pipes and the logo of our Group are painted on the surface of the finished steel pipes. Protection ring may be added to the ends of steel pipes according to customers' requirements.

Bending JCOE production line

The following illustrates the major steps involved in the production of LSAW steel pipes by the bending JCOE production line:

Inspection on raw materials

First of all, to ensure that the raw materials meet the technical requirements, we will conduct ultrasonic scan on the steel plates using parallel band or grid scanning mode and will examine both sides of steel plates using a turning device.

Edge milling

Upon satisfactory quality check, the steel plates are then positioned for edge planing on at both sides in order to produce a shape required by welding process.

Forming

The forming process involves the use of a presser to press the pre-bended steel plates by section and to change cross-sections of steel plates to “J”, “C” and “O” shapes gradually. As heavy-duty pressers are available, this kind of forming can process steel pipes with greater thickness.

Pre-welding, interior welding and exterior welding

After the forming process, the steel plate becomes a steel roll with an open end, which is to be welded to turn the steel roll into a pipe. This process is called pre-welding. The pre-welded pipes then have to undergo further interior and exterior welding processes so as to satisfy industrial requirements.

Mechanical expansion

After the forming and welding process, the welded steel pipe's diameter has to be expanded with mechanical expansion machine to make it more circular.

Edge trimming

Subsequent to mechanical expansion, the edges of the steel pipes are trimmed as per clients' requirements. This process is completed by an edge-trimming machine.

Ultrasonic and X-ray testing and quality control

After edge-trimming, the quality control staff will conduct quality tests using ultrasonic and X-ray testers. The inspection results and the mechanical properties of the steel pipes will have to meet certain requirements. Our staff will then assess the exterior and interior quality of the steel pipes.

Girth welding

Depending on our clients' requirement as to the length of the steel pipes, the steel pipes will then be girth welded after passing ultrasonic and X-ray tests.

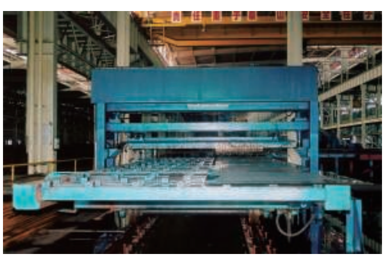
Labelling and packaging

After all the inspection and tests, specifications of the steel pipes and the logo of our Group are painted on the exterior and interior surfaces of the finished steel pipes. Protection ring can be added to the ends of steel pipes if required.

UOE production line

The following illustrates the major steps involved in the production of LSAW steel pipes by the UOE production line:

Inspection on raw materials



First of all, to ensure that the raw materials meet the technical requirements, we will conduct ultrasonic scan on the steel plates using parallel band or grid scanning mode and will examine both sides of steel plates using a turning device.

Edge milling and crimping

After the ultrasonic test, both longitudinal sides of the steel plates are to be milled according to width specification requirements. Pre-crimping the sides of steel plates is a necessary process to obtain an ideal arc of steel pipes and in consideration of the inner stress effect after welding.

Forming

The forming process comprises the "U" shape forming and "O" shape forming. For "U" shape forming process, steel plate is inserted into a "U" shape mould, and the middle part of the steel plate will receive an upward press and turn into a "U" shape. After "U" shape forming, the "U" shape plate will be transferred into an "O" shape mould for final shaping. During this process, the "U" shape plate will receive strong press upwards and downwards from two hemicyclic moulds and turn into a final "O" shape.

Welding

After forming, steel pipes will be welded in its interior and exterior according to the welding requirements.

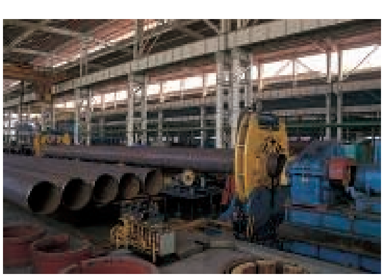
Testing and inspection

Welded steel pipes will be inspected for defects by using ultrasonic and X-ray testing equipment.

Hydrostatic or mechanical expansion

According to customer's requirements, steel pipes will also receive hydrostatic or mechanical diameter expansion. Hydraulic diameter expansion is a soft expansion technique, under which sealed pipes will be filled with water and pressured. With the increase of hydrostatic pressure, the steel pipe will expand in the mould until it reaches the required outside diameter. Mechanical diameter expansion is a hard expansion technique. Steel pipe is expanded gradually in sections by an expanding shaft. The shaft drives the expanding clamps, and through the sliding part connected to expanding clamps, the horizontal movement of expanding clamps is transformed into vertical movement of sliding part. When the swelling pincers in the sliding part touch the steel pipe, they begin expanding the steel pipe. So long as the movement of the sliding part is controlled properly, the level of expansion can be controlled so as to achieve desired ellipticity and inside and outside diameters. Both expansion processes have their own advantages and disadvantages, and thus are employed in different situations. Expansion processing will also help eliminating the Bauschinger Effect.

Edge trimming



According to customers' requirements, the welding steel pipes are usually beveled at the ends for better joint effect between pipes. The expanded steel pipes are then transferred to the edge trimming machine for process.

Ultrasonic and X-ray testing and quality control

After edge trimming, the steel pipes will be inspected for invisible defects using ultrasonic testing machines and X-ray machines, with the surface polished according to appearance requirements, and conduct various mechanical property tests and examinations.

Labelling and packaging

After passing through a series of inspection and testing, the final products will be labelled with the specification of the steel pipe and the logo of our Group will be printed on the surface as well. Protection ring can be added to the ends of steel pipes depending on customers' requirements.

Longitudinal ERW steel pipes production line

Uncoiling

The hot rolled steel coils are first inspected by the quality control staff to ensure that they meet the quality requirements of the specific order. Upon satisfaction of the quality requirements, the coils are then placed on a feed ramp. Each coil is positioned in the centre of the mill and fed into the uncoiling machine.

Longitudinal cutting, steel belt joining

The uncoiled rolls of hot rolled steel coils are cut into strips of predetermined sizes to form steel pipes of specific dimensions before they are fed into the forming machine. An electrically operated shear cuts off the end of each coil and the coils are then welded together to form a continuous strip. The continuous strip is then accumulated at the super accumulating unit to ensure that the forming unit is fed with a continuous strip of steel in the production process.

Roll forming

The steel strips are then fed into the flattening machine before they are rolled into the forming machine, in which they are pressed by high precision moulds into round pipe sections with predetermined sizes, with the longitudinal edges of the strips (“**skelp edges**”) contoured for welding.

Welding and deburring

After forming, the skelp edges still remain in the steel pipes. The steel pipes are then fed into a high frequency welder which heats the longitudinal edges of the strips to a very high temperature. The skelp edges are sealed together by welding. The heated edges are then squeezed together to form a fusion weld. After the welding process, the pipes still need to be deburred to remove excess weld beads on both the inner and the outer surfaces of the steel pipe.

Mid-frequency heat processing

The fusion weld and hot affect zone of the steel pipes are subject to heat treatment, which will increase the mechanical strength and hardness of the steel pipes. The heated pipes will then be air and water cooled.

Diameter setting

After heat and cool processing, the steel pipes are then pressed by mould into pipes of different outside diameters according to customers’ specifications and/or market standards.

Sawing

The steel pipes will be tested by ultrasonic testing machines again for invisible defects before they are cut into their designated lengths according to customers' specifications. After cutting, the steel pipes will have plain ends.

Trimming

Subject to customers' specifications, the steel pipes may be bevelled at one or both ends in order to produce a wedged edge for better contact surface for connection. The ends are to be smoothed as specified by customers.

Hydro-testing

The finished products are then inspected by the quality control staff on interior quality and mechanical performance by using testing equipment. The steel pipes are also tested by a hydrostatic testing machine for mechanical strength and leakage.

Labelling and packaging

After passing through a series of inspection and testing, the final products are labelled with their specifications and the logo of our Group, and are then packaged in bundles before being transferred into storage for delivery to customers.

AWARDS AND RECOGNITIONS

Since the establishment of our Group, we have been granted a number of awards and recognitions from government authorities with respect to our Group or products. The major awards and recognitions are set out below:

Products

Year	Awards and recognitions	Award/grant/issuing organisation	Date of certificate/validity period
1996	廣東省優秀新產品 (Guangdong Province Outstanding New Product*)	廣東省經濟委員會 (The Economic Commission of Guangdong Province*)	June 1996
1997	冶金產品實物質量金杯獎 (Gold Cup Prize for Actual Quality of Metallurgical Products*)	中國冶金工業部 (Ministry of Metallurgical Industries of the PRC*)	26 December 1997 (for five years)
1999	冶金產品質量認證證書 (Certificate for Accreditation of Quality Metallurgical Products*)	國家鋼鐵產品質量監督檢驗中心 (The National Quality Control Inspection Centre for Steel Products*)	21 June 1999 to 20 June 2004
2005	冶金產品實物質量金杯獎－(A級鋼管及B級鋼管) (Gold Cup Prize for Actual Quality of Metallurgical Products – Steel Pipes Class A and Class B*)	中國鋼鐵工業協會 (China Iron & Steel Association*)	27 December 2005 to 26 December 2010
2006	中國名牌產品 (China Top Brand Product*)	國家質量監督檢驗檢疫總局 (General Administration of Quality Supervision, Inspection and Quarantine of the PRC*)	September 2006 to September 2011
	中國馳名商標 (China Well-known Trademark*)	中國工商局商標管理局 (The Trademark Office of the State Administration for Industry and Commerce*)	12 October 2006
2007	國家火炬計劃項目 (China Torch Item*)	中國科學技術部 (Science and Technology Department of the PRC*)	Not applicable
	廣東省名牌產品 (Guangdong Province Top Brand Product*)	廣東省質量技術監督局 (Guangdong Provincial Bureau of Quality and Technical Supervision*)	September 2007 to August 2010

Year	Awards and recognitions	Award/grant/issuing organisation	Date of certificate/validity period
	2007年廣東企業創新紀錄最佳首創產品 (Best Original Product of Innovative Record for Guangdong Enterprise in 2007*)	廣東省企業聯合會及廣東企業創新紀錄審定委員會 (Association of Enterprise in Guangdong Province & The Innovative Record of Guangdong Enterprise Approval Commission*)	November 2007
	中國石油石化裝備馳名品牌 (China Petroleum and Petro-chemical Equipment Well-known Brand*)	中國石油和石油化工設備工業協會 (China Petroleum and Petro-chemical Equipment Industry Association*)	December 2007 to December 2010
2008	廣東省著名商標 (Guangdong Province Famous Trademark*)	廣東省著名商標認定委員會 (The Famous Trademark Recognition Commission of Guangdong Province*)	February 2008 for three years
	中國國際發明展覽會金獎 (China International Exhibition of Inventions Golden Award*) – 三輥成型工藝及設備 (Three-roller forming technology and equipment*)	中國發明協會 (China Inventions Association*)	October 2008
2009	廣東專利優秀獎 (Guangdong Province Patent Excellence Award*) – 三輥成型工藝及設備 (Three-roller forming technology and equipment*)	廣東省人事廳及廣東省知識產權局 (Guangdong Provincial Bureau of Personnel & Intellectual Property Office of Guangdong Province*)	March 2009

Corporate

Year	Awards and recognitions	Award/grant/issuing organisation	Date of certificate/validity period
2001	高新技術企業認定證書 (Certificate for the Recognition of High and New Technology Enterprises*)	廣州市科學技術委員會 (Guangzhou City Science and Technology Committee*)	12 June 2001

Year	Awards and recognitions	Award/grant/issuing organisation	Date of certificate/validity period
2004	中國石油專用管材製造業 2004年十強企業 (China Reserved Petroleum Pipeline Manufacturing Industry – Top Ten Enterprises in 2004)	中國石油和石油化工設備工業協會 (China Petroleum and Petro-chemical Equipment Industry Association*)	20 November 2004
2006	2005年廣東省質量管理先進企業 (Leader in Quality Management in Guangdong Province in 2005*)	廣東省質量技術監督局 (Guangdong Provincial Bureau of Quality and Technical Supervision*)	April 2006
2007	廣東省出口名牌 (Export Top Brand of Guangdong Province*)	廣東省對外貿易經濟合作廳 (Department of Foreign Trade and Economic Cooperation of Guangdong Province*)	June 2007 to June 2010
	廣州市科技進步一等獎 (First Prize for Sci-Tech Achievement in Guangzhou City*)	廣州市人民政府 (The People's Government of Guangzhou City*)	11 November 2007
2008	工廠認可證書 (Certificate of Works Approval*)	中國船級社 (China Classification Society*)	14 May 2008 to 13 May 2012
2008	高新技術企業證書 (High-tech Enterprise Certificate*)	廣東省科學技術廳 (Department of Science and Technology of Guangdong Province*), 廣東省財政廳 (Guangdong Province Department of Finance*), 廣東省國家稅務局 (Guangdong Municipal Office of the State Administration of Taxation*) and 廣東省地方稅務局 (Guangdong Provincial Local Taxation Bureau*)	16 December 2008 to 16 December 2011
2008	PCKSP – Registered Compliant with specified Shell Global Solutions' piping specifications	Shell Global Solutions International B.V.	25 February 2008 to 25 February 2011/ 27 January 2009 to 27 January 2012
2009	PCKSP – Registered Compliant with the Shell Global Solutions' Design and Engineering Practices	Shell Global Solutions International B.V.	25 February 2009 to 24 February 2012

* *For identification purposes only*

SALES AND MARKETING

Due to the nature of our Group's business, we have been proactively seeking for sales opportunities in both domestic and foreign markets. During the Track Record Period, a significant portion of our steel pipes were sold in the PRC and the remaining were sold to over 50 countries and regions in the Middle East, European Union, America, and Southeast and Central Asia. The following table shows the breakdown of our revenue by geographical areas for each of the three years ended 31 December 2008 and the eight months ended 31 August 2009:

Market	Year ended 31 December 2006		2007		2008		Eight months ended 31 August 2009	
	RMB'000	*% of revenue*	*RMB'000*	*% of revenue*	*RMB'000*	*% of revenue*	*RMB'000*	*% of revenue*
Mainland China	599,523	54.5	663,590	45.5	1,252,643	47.7	752,700	37.2
America *(Note)*	145,507	13.2	291,498	20.0	613,451	23.3	164,105	8.1
European Union	217,104	19.8	11,803	0.8	61,742	2.4	97,466	4.8
Middle East	13,699	1.2	225,085	15.4	325,639	12.4	718,947	35.6
Other Asian countries	80,351	7.3	155,485	10.7	290,856	11.1	185,033	9.2
Others	43,557	4.0	110,567	7.6	80,308	3.1	103,052	5.1
	1,099,741	100.0	1,458,028	100.0	2,624,639	100.0	2,021,303	100.0

Note: For the three years ended 31 December 2008 and for the eight months ended 31 August 2009, among our sales to America, our sales to the US accounted for approximately 9.7%, 9.7%, 8.2% and 2.3%, respectively, of our total revenue.

As at the Latest Practicable Date, our sales and marketing team consisted of 32 full time staff and is divided into groups responsible for different markets. Among these 32 staff, 21 of them are responsible for domestic sales and 11 of them are responsible for exports sales. In view of the distinctive market features and the composition of our client base, our domestic sales team is further divided into three sub-teams whereby each sub-team focuses on one of our three major customers who are state-owned oil and gas producers as well as other domestic customers.

For overseas markets, we have entered into various agency agreements with certain foreign companies which engage in the supplies of oil and gas industry to promote our steel pipe products and solicit sales for us in certain countries such as Africa and Middle East and our marketing strategy in developing overseas markets can be broadly divided into three prongs. First, our Group appoints overseas sales agents ("**Sales Agents**") to promote sales and obtain orders for our Group's products in the specific territories and/or for certain projects. Our Group is required to furnish to the Sales Agents information and support for promoting our steel pipe products and the Sales Agents shall normally be entitled for a commission of a fixed percentage of not less than 2% on the contract value of the orders made by the customers introduced by them. The commission is paid to the Sales Agents within 15 days upon receipt of full payment from the customers by our Group. Most of the agreements with the Sales Agents are valid for a fixed term ranging from one to three years and can be terminated, in some cases, by written notice of a predetermined period ranging from one to three months by either parties, or in other cases, by mutual consent of both parties. For each of the three years ended 31 December 2008 and the eight months ended 31 August 2009, the commission paid to the Sales Agents were approximately RMB0.8 million, RMB6.1 million, RMB19.6 million and RMB33.1 million, respectively. The significant increase in the commission paid to the Sales Agents during the Track Record Period can be ascribed to the corresponding increase in the sales orders introduced by or secured through the Sales Agents during the relevant periods, and in particular the significant increase in the commission that we paid to the Sales Agents during the eight months ended 31 August 2009, which substantial increase was mainly due to the one-off commission paid to a bidding agent who assisted us in our successful bidding of a contract of over 44,000 tonnes of ERW steel pipes from a major customer in the Sultanate of Oman, which commission amounted to 5% of the total selling price of that project for the eight months ended 31 August 2009.

Second, our Group also cooperates with large scale services providers of the oil and gas and utilities industries ("**Principal Contractors**") to participate in the tenders of the supply of our steel pipe products in overseas projects. We will provide our commercial proposals in relation to the supply of our steel pipe products to the Principal Contractors, who would then submit bidding documents for the relevant projects. Our Group is required to cooperate with the Principal Contractors by providing information to, and allow inspection by, the ultimate users of our steel pipe products, and in most cases our Group is also required to issue letters of support showing our commitment to allocate sufficient resources to produce the required products if the Principal Contractors succeed in obtaining the tender. If the tenders of the Principal Contractors are accepted, the relevant Principal Contractor will enter into agreement with the ultimate customer on one side and will make purchase order with our Group on the other side setting out the amount of products to be purchased, the unit price of the products, method of payment and the delivery date. In such cases, our sales are made to the Principal Contractors on normal sales terms and we do not deal directly with the ultimate users. While Sales Agents receive commission at a certain percentage of the contract value as remuneration, sales to Principal Contractors are on project basis whereby Principal Contractors usually tender for large scale project and our sales to them are usually counted towards their total costs for the project. For each of the three years ended 31 December 2008 and the eight months ended 31 August 2009, our revenue contributed from the Principal Contractors were approximately RMB207.3 million, RMB42.4 million, RMB246.1 million and RMB165.3 million, respectively.

Third, we also deal directly with foreign end users, such as oil and gas producers in Malaysia and Brazil as well as trading firms. In any of the above three prongs of strategy, our exports sales team play an important part in planning, development and implementation of the planned marketing strategies of our Group. They are primarily responsible for, including but not limited to, the provisions of the required production information, follow-up with customers for settlements and the delivery arrangements.

The following table shows the breakdown of our exports sales revenue by the above-mentioned marketing strategies in overseas markets during the Track Record Period. We adopted a consistent revenue recognition policy for the sales revenue generated from such marketing strategies throughout the Track Record Period.

	Year ended 31 December						**Eight months ended 31 August**	
	2006		**2007**		**2008**		**2009**	
	RMB'000	*% to total*	*RMB'000*	*% to total*	*RMB'000*	*% to total*	*RMB'000*	*% to total*
Sales through Sales Agents	11,482	2.3	347,922	43.8	579,807	42.3	571,555	45.1
Sales to Principal Contractors	207,280	41.4	42,378	5.3	246,121	17.9	165,289	13.0
Direct sales to our overseas customers	281,456	56.3	404,138	50.9	546,068	39.8	531,759	41.9
	500,218	100.0	794,438	100.0	1,371,996	100.0	1,268,603	100.0

Our Group has been proactively seeking sales opportunities in both domestic and foreign markets. It is our continuous marketing strategy in developing overseas markets including those countries that we are less familiar with to enlarge the market and geographical coverage of our steel pipe products. Accordingly, we have put our efforts in identifying suitable Sales Agents or Principal Contractors to assist us in increasing sales volumes to targeted overseas markets as these Sales Agents or Principal Contractors are familiar with the end-user market and have better market intelligence in their respective locality. As a result of the above-mentioned marketing strategy and our continuous efforts, the percentage of our Group's exports sales revenue through the Sales Agents or the Principal Contractors increased during the Track Record Period as compared with that of the sales revenue generated from direct sales to our overseas end customers.

As at the Latest Practicable Date, our Group had engaged in agency arrangements with a total of seven Sales Agents and two Principal Contractors, who are Independent Third Parties. One of such Sales Agents and Principal Contractors had been acting in dual capacities as both a Sales Agent and a Principal Contractor during the Track Record Period.

Our Group offers free-of-charge after-sale services which include maintenance and replacement of defective products. For overseas customers, our Company would engage third party contractors to provide maintenance services upon request. During the Track Record Period, no provision for warranties has been made as we did not incur any warranty expenses and we had not engaged any such third party contractors to provide maintenance service for our overseas customers as no such request had been made by such customers during the relevant period. During the Track Record Period, there had been no stock return from our customers. To improve the relationship with our customers, we send questionnaires to our customers to obtain feedback on our product quality on a regular basis. In addition, we regularly invite our customers to visit our production facilities. Through these services and activities, we can introduce our products and quality management to our customers and at the same time solicit sales orders. These services also enable us to better understand the needs of our customers and to keep abreast of the latest market trends.

During the Track Record Period, all of our domestic sales are denominated in RMB and almost all of our exports sales are denominated in US dollars. During the Track Record Period, we did not formally adopt any hedging policy to protect ourselves against any fluctuations in foreign exchange rate and we only entered into a few non-speculative hedging transactions for amount to be settled in more than three months. Such hedging transactions are governed by certain foreign currency forward contracts we entered into with a domestic bank in the PRC with a total contract sum of approximately US$7.2 million and pursuant to which we were required to purchase the equivalent amount of Renminbi at a fixed exchange rate on certain specified future dates by settlement denominated in US dollars. The relevant transactions were entered into and fully settled in 2008. A loss of approximately RMB768,000 is recorded in the item of exchange loss in our Group's statements of comprehensive income included in the accountants' report as set out in Appendix I to this prospectus. Except as aforesaid, our Group had not entered into any hedging transactions during the Track Record Period and we did not have any outstanding hedging contracts as at the Latest Practicable Date.

In order to avoid any potential loss from the appreciation of Renminbi against US dollars, or other foreign currencies where relevant in the future, it is our intention that we, after internal assessment by our financial department, may consider entering into further foreign currency forward contracts to hedge our future foreign currency receivable from our customers if there is a certain date of receipt, or a certain range of dates of receipt of such foreign currency which is over three months or more. For this purpose, our management will closely monitor the amount of foreign currency forward contracts entered into by our Group which shall not exceed the expected receipt of the relevant foreign currencies from our customers. This ensures that such foreign currency forward contracts will not be entered into for speculative purposes.

Anti-dumping and countervailing measures

We export an increasing volume of steel pipe products during the Track Record Period. For each of the three years ended 31 December 2008 and the eight months ended 31 August 2009, exports sales accounted for approximately 45.5%, 54.5%, 52.3% and 62.8%, respectively, of our total revenue. Exports sales accounted for approximately 62.5% of our unaudited total revenue for the eleven months ended 30 November 2009. Due to heightened competition in international trade, foreign countries may from time to time impose anti-dumping or countervailing measures or other trade restrictions such as imposition of duties on any goods exported by the PRC (including our steel pipe products) so as to protect their own industries. Given our geographical presence in certain countries where anti-dumping and countervailing measures are adopted, we may face anti-dumping and countervailing measures that, among other things, impose duties on our exported steel pipe products. For details of the anti-dumping measures imposed by the EU, and several anti-dumping and countervailing orders and investigations in relation to certain steel pipes and pipe fittings imposed by the United States, please refer to the paragraph headed "Change of rules and regulations, including anti-dumping and countervailing measures, by foreign countries may affect our exports sales into those countries." in the section headed "Risk factors", the paragraphs headed "Anti-dumping and countervailing duties in the United States" and "Anti-dumping duties in the EU" in the section headed "Industry overview" in this prospectus.

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

Further, to the best knowledge of our Directors, under the anti-dumping rules and regulations of the EU and the United States, the PRC may be treated as a "non-market economy" and, as a result, may be subject to special rules in determining whether imports of products from the PRC constitute dumping and in determining anti-dumping duty rates. For details, please refer to the paragraph headed "Anti-dumping determination and "non-market economy"" in the section headed "Industry overview" in this prospectus.

Pricing and payment terms

Pricing of our steel pipes and steel pipes manufacturing services are similar except that the cost of steel plates and steel coils will not be included in the pricing of our steel pipes manufacturing services. Pricing of our products and services are determined with due consideration on, inter alia, costs of raw materials and manufacturing charge, and we usually set our tender/selling prices taking the following steps:

- The production department will first review the technical requirements of the products and generate information on production costs such as cost of raw materials.

- The finance department will then estimate relevant administrative and ancillary expenses to be incurred, including cost of order and testing, etc.

- The sales department will collate such information and collect information on the domestic and global conditions for the relevant product.

Depending on the specification of the product and the level of complexity and technology involved in the production, we will impose different manufacturing charge. The pricing of our coating services are charged such that the cost and certain profit margin are usually added on top of the selling price of the steel pipes that our customers acquired from us. As for fittings, we normally charge our customers the raw material costs and manufacturing fees as in the case of charging our customers of our steel pipe products.

As safety and durability of our steel pipe products are of utmost importance to potential customers, our Directors believe that when making purchase decisions, these potential customers will not only consider the price of the products but also the track record of the suppliers, which means their price sensitivity is relatively low.

For domestic sales, we request for prepayments from our customers, which are usually equivalent to approximately 30% of the total contract sum at the time we entered into sales contracts with our customers with the remaining balance settled within the credit terms that we grant to them. Finished goods will be delivered to domestic customers and sales will be recognised, in general, upon the inspection and acceptance of finished goods by our customers. Settlements made by our domestic customers are usually by way of telegraphic transfer. For exports sales, in most cases, after sales contracts are entered into with our overseas customers, a letter of credit from such overseas customers will be issued to us pursuant to the settlement and credit terms prescribed in the sales contracts. Finished goods will be delivered to our overseas customers usually by terms of FOB (free-on-board) or CIF (cost, insurance and freight) and, in general, sales will be recognised when the goods are declared at custom. Settlements made by our overseas customers are usually by way of letter of credits whereby the funds under such letters of credit will be released to our Group either upon or within a specified period, as stated in the sales contracts, after the presentation of relevant shipping documents of finished goods to the notifying bank. Credit terms granted to our Group's domestic and overseas customers generally ranges from 30 to 60 days. However, in some cases, domestic customers are requested to settle the bills upon inspection and acceptance of finished goods. For the eight months ended 31 August 2009, sales revenue settled by our domestic customers upon inspection and acceptance of finished goods and within certain credit period granted by us accounted for approximately 6.9% and 93.1% of the total domestic sales, and sales revenue settled by our overseas customers by way of letters of credit at sight and letters of credit carried certain settlement period specified in the sales contracts accounted for approximately 40.2% and nil of the total exports sales.

However, it usually takes 10 to 30 days for the forwarders to issue the relevant shipping documents and for notifying banks to release funds to our Group upon presentation of required documents specified under the terms of letters of credits. The effective credit period for exports sales is, in practice, longer than that for domestic sales.

Most of our domestic customers retain an amount equivalent to 2% to 10% of the total contract sum as a quality assurance fund and such amount will be paid to us upon the end of our quality assurance period, which is usually within six months and up to 18 months from inspection and acceptance. There was no default in recovering retention money from customers during the Track Record Period. In some cases, we receive the said quality assurance fund from our customers and letters of guarantee are issued to our customers in return, and such amount is deposited to our bank as pledged deposit and will not be released until the end of our quality assurance period. For some of our overseas customers, we are requested to issue performance security in the amount of 2% to 10% of total contract price or the total value of the letter of credit payable to our customers as compensation for any loss resulting from any of our failure to perform the contracts. The performance security will be discharged and released to us after our fulfilment of obligations under the contracts.

To ensure the timely collection of our account receivables and to minimise and avoid the incurrence of bad debts, we adopt a tight credit control policy and our finance department closely monitors the account receivables and conduct stringent collection and loss management measures. To enhance our liquidity, we also enter into forfeiting arrangement with the banks whereby our Group sells the letters of credit at a discount to the banks for immediate funds. For each of the three years ended 31 December 2008 and the eight months ended 31 August 2009, total amount of such forfeiting arrangements amounted to approximately nil, US$8.3 million, US$36.3 million and nil, respectively (equivalent to approximately nil, RMB56.8 million, RMB248.4 million and nil, respectively), accounting for approximately 0%, 7.4%, 18.1% and 0% of our revenue from exports sales in the respective periods.

CUSTOMERS

Over the years, we have built up a broad and geographically diversified customer base with more than 690 customers as at 31 August 2009, which is comprised oil fields operators, oil companies, gas companies, petrolchemical companies, trading firms and engineering firms worldwide. As our steel pipe products are mainly used for, amongst others, conveyance and distribution of oil and natural gas, the locations of our customers, to a large extent, depend on the location of global pipeline construction projects in relation to the onshore and offshore transportation infrastructure of oil and gas.

Our PRC customers

During the Track Record Period, our sales to the customers in the PRC accounted for approximately 54.5%, 45.5%, 47.7% and 37.2%, respectively, of our total revenue. Although there was a decreasing trend in the proportion of revenue generated from our customers in the PRC during the Track Record Period, our Group is still and expects to be continuously heavily dependent on the PRC market, as the PRC market contributed to more than one-third of our revenue during the same period. We have established long-term business relationships with our major customers in the PRC, which include CNPC, CNOOC and Sinopec (in each case, on a group basis), which collectively operate considerably all of China's onshore oil and gas pipelines. These customers were among the five largest customers of our Group for each of the year/period during the Track Record Period. Given these customers' high quality requirements for their large-scale pipeline projects, our Directors consider that their placing orders with our Group is an emphatic recognition of our high product quality. In general, we enter into direct sales transactions with our PRC customers.

Our overseas customers

Our exports sales accounted for approximately 45.5%, 54.5%, 52.3% and 62.8%, respectively, of our total revenue during the Track Record Period. Such an increasing number of exports sales were made to a large number of overseas customers in more than 50 countries and regions. In relation to the sales to overseas markets, we have entered into various agency agreements and/or cooperation agreements with the Sales Agents and the Principal Contractors for promoting our steel pipe products and soliciting sales for us in certain countries in Africa and Middle East. We also deal directly with foreign end customers, such as oil and gas producers in Malaysia and Brazil as well as trading firms. For details of our arrangements with the Sales Agents and the Principal Contractors, please refer to the paragraph headed "Sales and marketing" above in this section.

For each of the three years ended 31 December 2008 and the eight months ended 31 August 2009, sales to our five largest customers in aggregate accounted for approximately 48.1%, 37.1%, 48.0% and 57.1%, respectively, of our total revenue. For the same period, our sales to the largest customer accounted for approximately 18.8%, 9.2%, 14.0% and 27.2%, respectively, of our total revenue.

The following table illustrates the sales to our five largest customers with respective regions during the Track Record Period:

Customer[(1)]	Year ended 31 December 2006			2007			2008			Eight months ended 31 August 2009		
	Region	*RMB'000*	*% of revenue*	*Region*	*RMB'000*	*% of revenue*	*Region*	*RMB'000*	*% of revenue*	*Region*	*RMB'000*	*% of revenue*
First largest	Germany	206,647	18.8	Mainland China[(2)]	134,413	9.2	Chile	366,366	14.0	Sultanate of Oman	550,453	27.2
Second largest	Mainland China	95,094	8.6	Malaysia[(2)]	120,260	8.2	Mainland China[(2)]	344,742	13.1	Mainland China[(2)]	358,462	17.7
Third largest	Mainland China[(2)]	86,973	7.9	Mainland China[(2)]	104,333	7.2	Mainland China[(2)]	218,287	8.3	Nigeria	93,763	4.6
Fourth largest	United States[(2)]	73,497	6.7	Chile	98,676	6.8	Malaysia[(2)]	175,670	6.7	Hong Kong	78,071	3.9
Fifth largest	Mainland China	66,500	6.0	United States[(2)]	83,421	5.7	United States[(2)]	155,698	5.9	Canada	72,477	3.6
		528,711	48.1		541,103	37.1		1,260,763	48.0		1,153,226	57.1

Notes:

1. To avoid any unnecessary legal dispute from our customers, our Group's sales to the five largest customers during the Track Record Period are disclosed on an anonymous basis.

2. The relevant customers had also been one of our five largest customers in another year/period during the Track Record Period.

For each of the three years ended 31 December 2008 and the eight months ended 31 August 2009, our sales to CNPC (as a group) amounted to approximately RMB51.2 million, RMB195.8 million, RMB580.2 million and RMB475.0 million, respectively, and contributed to approximately 4.7%, 13.4%, 22.1% and 23.5%, respectively, of our total revenue; our sales to CNOOC (as a group) amounted to approximately RMB156.9 million, RMB176.3 million, RMB46.8 million and RMB78.4 million, respectively, and contributed to approximately 14.3%, 12.1%, 1.8% and 3.9%, respectively, of our total revenue; and sales to Sinopec (as a group) amounted to approximately RMB88.3 million, RMB104.3 million, RMB220.6 million and RMB96.1 million, respectively, and contributed to approximately 8.0%, 7.2%, 8.4% and 4.8%, respectively, of our total revenue. Our Group's sales to the customers, including CNPC and CNOOC, are on a project-by-project basis and depend to a very large extent on the progress of the customer's projects and also the size of steel pipe product requirement in the relevant projects. With regard to our Group's sales to CNPC, such sales in 2007 mainly represent the sale of our steel pipe products to CNPC in relation to three CNPC's pipeline projects while that for 2008 mainly represent sale of our steel pipe products to CNPC in relation to 11 CNPC's pipeline projects, and such increase is mainly due to the commencement of the implementation of a number of additional pipeline projects by CNPC in 2008. In relation to our Group's sales to CNOOC, although CNOOC ordered steel pipes of our Group mainly for five of its pipeline projects in both 2007 and 2008, CNOOC ordered from our Group a larger amount of our steel pipes for its projects in 2007 than in 2008, which larger demand was attributable to CNOOC's more intensive project schedule in 2007, and therefore, our Group's sales to CNOOC dropped in 2008 as compared to that for 2007.

None of our Directors, their respective associates or any shareholders holding more than 5% of the issued share capital of our Company held any interest in the five largest customers of our Group during the Track Record Period.

PROCUREMENT OF RAW MATERIALS AND SUPPLIERS

Our procurement department is responsible for the procurement of raw material and selection of suitable suppliers, as well as for coordinating with our quality control staff for the quality control of raw materials. We have implemented internal management systems in accordance with the principles of ISO9001:2000 to ensure our raw material procurement is in a steady and timely way.

Raw materials

The major raw materials that we use for the manufacturing of our steel pipes are steel plates and steel coils. For each of the three years ended 31 December 2008 and the eight months ended 31 August 2009, cost of steel plates and steel coils accounted for approximately 90.4%, 90.9%, 91.7% and 90.6%, respectively, of our total cost of sales. As both product price and quantity are, in general, specified in the sales contracts, any increase in raw materials prices after the signing of sales contracts with our customers will affect our gross profit margin. In view of the above, we have adopted a back-to-back procurement policy since the first quarter of 2006 whereby a quotation of raw material prices, with specific validity period, will be obtained from our suppliers prior to the signing of sales contracts with our customers or the submission of tender document, and the pricing of sales orders or tender will be determined with reference to such quotation. After the signing of the sales contracts with our customers or successfully obtaining a tender and within the validity period of the said raw material quotations, we will enter into a back-to-back purchase agreement with our suppliers to purchase the quantity of raw materials required in the corresponding sales contracts. Notwithstanding the above, the terms of our sales contracts and purchase contracts are negotiated separately with our respective customers and suppliers. Our Directors consider that such procurement strategy minimises the impact of increase in raw material prices since we are generally able to fix the cost of raw materials with our suppliers in relation to specific sales contracts. Other than the above-mentioned back-to-back procurement policy, our Group had not entered into any hedging instruments relating to steel or steel related products during the Track Record Period. During the Track Record Period, almost all of our raw material purchases were settled in RMB.

Suppliers

In order to obtain better pricing terms from suppliers and to avoid reliance on any single source of supply, we maintain close business relationships with a number of suppliers for principal raw materials. Purchases from the five largest suppliers of our Group accounted for approximately 56.4%, 57.1%, 47.4% and 58.5%, respectively, of our total purchases for each of the three years ended 31 December 2008 and the eight months ended 31 August 2009. Purchases from the largest supplier of our Group for each of the three years ended 31 December 2008 and the eight months ended 31 August 2009 accounted for about 20.8%, 17.4%, 13.3% and 20.7%, respectively, of our Group's total purchases. None of the Directors, their respective associates or shareholders holding more than 5% of the issued share capital of our Company held any interests in any of our five largest suppliers in the Track Record Period.

As we maintain good relationship with our suppliers and purchase a large proportion of raw materials from them directly, we can benefit from assured quality, competitive purchase prices and steady and in-time deliveries, which, in turn, leads to reduction of inventory costs. During the Track Record Period, we did not experience any material shortage of steel coils or steel plates. As steel coils or steel plates required by our Group are not rare or difficult to source, our Directors do not anticipate any material difficulties in sourcing them.

We generally entered into supply agreements with our suppliers on a case-by-case basis. Since 2006, we have adopted the policy of entering into back-to-back purchase contracts with our suppliers once sales contracts are entered into with our customers in order to fix the cost of raw materials with our suppliers in relation to specific sales contracts. We are usually required to make a prepayment equivalent to approximately 10% to 30% of the total purchase amounts to secure the supply contract. In most cases, our suppliers require us to settle the remaining balance before the delivery of raw materials. Our Directors believe that these payment terms granted by our suppliers are in line with current general market practices in the PRC.

INVENTORY POLICY AND CONTROL

As at 31 August 2009, we had inventories of approximately RMB500.9 million, comprising raw materials, work-in-progress and finished goods. As our steel pipe products are produced based on committed orders from our customers with different specifications such as length, outside diameters, wall thickness and quality of steel to be used, we order our raw materials on a case-by-case basis according to our customers' needs.

It is our policy to closely monitor and control the inventory levels of our raw materials, work-in-progress products and finished products so as to optimise the allocation of our internal resources. We have implemented an inventory management system, which enables us to monitor the stock movement of the raw materials and work-in-progress goods which should be in alignment with our product delivery requirements and schedules.

On receipt of an order or invitation to tender, we will identify all raw materials and components required and review the delivery schedule for the raw materials previously ordered or, as appropriate, prepare a delivery schedule for the raw materials required by the order or tender. A production schedule will then be prepared to ensure efficient production.

The purchasing and production operations of our Group closely follow the production plans prepared by the production department on the basis of customer orders. The production plan lays down specific aspects of the order and will be passed to various departments to be followed up with. These departments will perform various functions, such as the checking of the available inventory, the ordering of raw materials, quality control on incoming raw materials, production, warehousing, delivery, as well as accounting functions, such as the processing of letters of credit, payment to suppliers and collecting payments from customers or bankers.

The production department prepares purchase requisition reports based on stock records and production schedules for confirmed orders. The actual purchase of raw materials is handled by the purchasing department based on the purchase requisition report. Based on the production and sales records, our accounting staff will prepare monthly management accounts for review by our management in its monitoring of our performance.

As a step to enhance our inventory control, we installed an ERP System through which we can plan our production activities, raw material procurement and inventory management in January 2008. This system also provides an information management platform to facilitate information exchange among our various departments so that we can improve the efficiency and control of our operations, especially in the production planning, inventory procurement and management and sales.

QUALITY CONTROL

We place great emphasis on preventive measures in the quality control process. These measures are implemented at various stages of the production process with the aim of identifying, analysing and solving irregularities at the earliest possible stage of the production process.

Most employees in the quality control department are graduates from polytechnics, vocational schools, colleges and universities with various diplomas and some of our employees have obtained master or doctoral degrees. In addition, some of our employees hold such qualification certificates as ISO9001:2000, ISO14000, OHSAS18000 and ISO10012 internal reviewer, measurement internal reviewer, mechanical and electrical engineer, quality engineer, safety officer, international welding engineer, submerged arc welding engineer, manual welding engineer, electrician, ultrasonic tester, radial tester, magnetic particle tester, penetration tester, material composition and physical properties inspector, measurement controller, intermediate mechanical quality inspector and anticorrosion operator.

In addition to the attainment of the aforementioned qualifications, our employees in the quality control department are also provided with basic introductory training, job-specific training, safety training and training on quality management system, various kinds of testing and inspection standards, business management and quality control. Our Group would also sponsor some of these employees to further their studies in classes of master of business administration degree.

Since the quality of our finished products is, to a large extent, determined by the quality of raw materials, all raw materials are sourced from reliable suppliers. Incoming raw materials are subject to detailed physical inspection according to our strict specifications on a random sampling basis before they are warehoused or enter into our production line.

On-line quality control procedures using advanced testing equipment such as hydrostatic, ultrasonic, X-ray testing equipment are followed to ensure that product specifications are met at various stages of the production process. The whole production process is closely monitored and the performance is properly logged so that the reasons for any default can be traced. Finished products are inspected before they are packaged for delivery or storage. Serial numbers are printed on every steel pipe so that we can effectively trace the production record if any quality problem occurs. As at the Latest Practicable Date, we had over 300 staff responsible for quality control and quality assurance.

We strive to maintain and improve the quality of our steel pipe products and have adopted continuous improvement strategy which requires each process to follow a set of total quality management guidelines. In recognition of its dedication to quality control in its business management and operations in manufacturing steel pipes, PCKSP was awarded the following major certifications, which remained effective as at the Latest Practicable Date:

Year	**Certification**	**Description**	**Organisation**	**Expiry Date/ Validity Period**
1996	ISO 9001:2000 *(Note 1)*	Compliance with the requirements of quality management system standard	HKQAA	8 October 2010
1996	BS EN ISO 9001:2000 *(Note 2)*	Compliance with the requirements of operating a quality management system	BSI	10 May 2011
1996	Authority to use the Official API Monogram *(Note 3)*	Right to use Official API Monogram in the production was granted after review according to the API quality system. Products can be widely applied in various oil fields related projects	API	29 January 2011
1999	Lloyd's Register Certificate *(Note 4)*	PCKSP was certified having adequate capability to produce ERW steel pipe and LSAW steel pipe to API Specification 5L	Lloyd's Register	Not applicable

Year	Certification	Description	Organisation	Expiry Date/ Validity Period
2002	Recognition for BV Mode II Survey Scheme *(Note 5)*	The manufacturing and testing facilities, associated procedures and relevant qualifications were found suitable for the supervision by Bureau Veritas surveyors of manufacturing, inspection and testing of pipe	Bureau Veritas	4 April 2006 to 4 April 2010
2004	ISO 14001:2004, GB/T 24001-2004 Certificate *(Note 6)*	Compliance with the requirements of environmental management system standard	中國質量認證中心 (China Quality Certification Centre*)	26 November 2010
2004	Occupational Health and Safety Management System Certificate (OHSAS18001:1999, GB/T 28001-2001) *(Note 7)*	Compliance with the requirements of occupational health and safety management system standard	中國質量認證中心 (China Quality Certification Centre*)	20 November 2010
2006	DNV's Rules for Classification Pt.2 *(Note 8)*	Certified as an approved steel tubes and pipes manufacturer	DNV	1 March 2006 to 30 June 2010

Notes:

1. Scope: manufacture of electric-resistance welded steel pipe (longitudinal seam) and longitudinal seam submerged arc welded steel pipe, manufacture and fabrication of oil casing tube, fittings and anticorrosive coated steel pipe. The issue of such certificate represents that PCKSP's quality management system has been audited and verified by the issuing organisation that it conforms to the requirements specified in the quality management system standards of ISO 9001:2000. The certificate was granted on 30 May 1996, amended on 30 July 2007 and will remain valid until 8 October 2010.

2. The issue of such certificate represents that PCKSP's quality management system has been audited and verified by the issuing organisation that it conforms to the requirements specified in the quality management system standards of ISO 9001:2000, which are based on eight quality management principles, namely customer focus, leadership, involvement of people, process approach, system approach to management, continual improvement, factual approach to decision making and mutually beneficial supplier relationships. The certificate was granted on 30 May 1996, amended on 30 July 2007 and will remain valid until 8 October 2010.

3. Scope: manufacturer of Line Pipe Plain End at PSL 1; manufacturer of Line Pipe Plain End at PSL 2; processor of Line Pipe Plain End at PSL 1; processor of Line Pipe Plain End at PSL 2. The issue of this certificate represents that PCKSP is granted the right to use the official API Monogram on manufactured products after review according to the API quality system under 5L, 5CT and Q1 specifications. Products can be widely applied in various oil fields related projects. The certificate was initially granted on 29 January 1996 and was renewed upon expiration. Such certificate was recently renewed on 29 January 2008 and will remain valid until 29 January 2011. We have also obtained a separate certificate for Manufacturer of Line Pipe Plain End at PSL 1 and PSL 2 (Type of Pipe: SAWL/Delivery Condition: M/Highest Grade: X70) for the effective period from 21 September 2009 to 9 June 2011. A separate certificate was granted on 29 January 2008 for the manufacturer of Casing or Tubing Plain End at Group I and such certificate will remain valid until 29 January 2011.

4. The certificate was issued to PCKSP certifying that its manufacture facilities, procedures and quality control system have been examined in accordance with the requirements of API specification 5L. The certificate was issued on 17 December 1999.

5. The certificate was issued to PCKSP certifying that its manufacturing and testing facilities, associated procedures and relevant qualifications were found suitable, in the opinion of the issuing organisation, for the supervision by the surveyors of the issuing organisation of manufacturing, inspection and testing of its welded steel pipes in compliance with the Rules of Bureau Veritas Rules for Classification. The certificate was issued on 26 June 2002 and remains valid until 4 April 2010.

6. Scope: manufacturing and process design of long seam high frequency welded pipe, long seam submerged arc welded pipe, petroleum welded pipe and cold rolled section, manufacturing process and relevant management activities of casing, tubing, fittings and anti-corrosive coating pipe. The issue of such certificate represents that PCKSP's environmental management system has been audited and verified by the issuing organisation that it conforms to the requirement specified in the standards of ISO14001:2004 and GB/T24001-2004. The certificate was granted on 30 September 2004, renewed on 27 November 2007 and will remain valid until 26 November 2010.

7. Scope: manufacture and process design of long seam high frequency welded pipe, long seam submerged arc welded pipe, petroleum welded pipe and cold rolled section; manufacture process and related management activities of casing, tubing, fittings and anticorrosion coating. The issue of such certificate represents that PCKSP's occupational health and safety management system has been audited and verified by the issuing organisation that it conforms to the requirement specified in the standards of OHSAS 18001:1999 and GB/T 28001-2001. The certificate was granted on 30 September 2004, renewed on 21 November 2007 and will remain valid until 20 November 2010.

8. The certificate was issued to PCKSP certifying that it is an approved manufacturer of steel tubes and pipes in accordance with Det Norske Veritas' Rules for Classification Pt. 2. The certificate was issued on 1 March 2006 and remains valid until 30 June 2010.

Except for DNV's Rules for Classification Pt.2 which our Group is currently preparing to seek for the first renewal of the relevant certificate on or before its expiration in 2010, all other certifications listed above have been renewed upon their most recent expiries respectively. Our Directors consider that given our Group's prior successful experience in obtaining renewal and the improving standard quality management of our Group since we last obtained the relevant certificates, our Directors do not foresee any impediments for our Group to obtain the renewal of the above certificates on or before their expiration in 2010 or 2011.

Moreover, our calibration department is certified as a national second-grade calibration laboratory which contained various testing instruments such as universal raw material tester, low temperature impact tester, drop-weight tear tester, computerised vacuum direct-read automatic spectrum analysis instrument and microscope of metal analysis.

Our Directors believe that our Group has established a good reputation in the steel pipe market as a result of its commitment to product quality, which is one of the key factors contributing to our success.

DESIGN, RESEARCH AND DEVELOPMENT

We have a design, research and development team comprising qualified engineers, technical institute and university graduates specialising in machinery, welding, hydraulic pressure, electrical automatic and non-destructive testing. The research and development activities are aimed at (i) developing new products in line with technological changes and market trends; (ii) improving the quality of products; (iii) reducing production costs and enhancing production efficiency; and (iv) introducing and implementing new technologies or machinery to upgrade the existing production lines.

In order to facilitate the decision making for capital expenditure in research and development, our equipment management department will submit application documents to our research and development department for auditing whenever any new or heavy repair equipments are required or any technical innovation projects are proposed. Approval from our chief engineer will be required before the actual purchase of such equipment and the implementation of such projects. Our equipment management department will then continue monitoring the performance of such equipment and implementation of such projects.

We also provide our staff with opportunities to take part in industry conferences (行業學術交流會), patent innovation training (實用專利的創新和研發學習) and training held by the engineering community (工程師協會). As at the Latest Practicable Date, our research and development department comprised 45 staff which was overseen by nine senior engineer and technicians from the management team. Among the 54 staff in our research and development team, 16 were qualified engineers, 24 were assistant engineers and 14 were technicians possessing expertise in areas such as welding engineering, machine design and manufacturing, metal engineering, mechanical engineering, management, raw materials processing, application of direct numerical control and application of hydraulic pressure. All of them have received tertiary education and nearly half of them have over ten years of relevant experience.

In 2001, PCKSP was recognised as High-tech Enterprise by 廣州市科學技術委員會 (Guangzhou City Science and Technology Committee*). In 2008, PCKSP was issued a High-tech Enterprise Certificate in recognition for our Group's technological capabilities. In 2003, our Group's technology centre was authorised by 廣東省經濟貿易委員會 (The Economic and Trade Commission of Guangdong Province*) as a provincial technology centre.

Our research and development capability was recognised by National Standardization Technical Committee and was entrusted to participate in the drafting and editing of the national steel pipe standards in China. Based on our sound technological know-how and flexible innovation system, we have developed mechanical expanding equipment independently.

We are committed to design and develop new products to meet customers' requirements. Introduction of new products usually involves close co-operation between customers, suppliers and ourselves. Hence, our research and development team, in collaboration with other departments such as sales department and procurement department, liaise closely with the suppliers and customers to keep abreast of the latest market trend and relevant technologies development on a regular basis.

We continually enhance our production facilities and improve our production technique in order to lower the defective rate in the production process and to improve the quality of the products. Currently, we are working on the improvement of hydrostatic pressure testing techniques and the technology in the production of large size LSAW steel pipes.

The following are some of our significant achievements in product design and development:

(i) we have made significant improvements in the production process of longitudinal ERW steel pipes, which improve the quality of our longitudinal ERW steel pipes in terms of accuracy of dimensions, surface smoothness and physical properties;

(ii) we have successfully produced steel pipes meeting the Japanese Industrial Standards G3452, thus broadening our product range and increasing our competitive edge in the international market;

(iii) we have designed and produced effective production equipment, including some of the moulds used in the forming unit of our Group's ERW steel pipes production line, and an external copying apparatus for pipe chamfering (鋼管修端外角仿形裝置), which are designed to improve production efficiency and product quality, and help to achieve our policy of producing quality products at competitive costs; and

(iv) we have developed machinery and equipment (水壓擴徑機, 機械擴徑機) which meets international advanced technology standard and have obtained patent registration in the PRC for them.

We have registered and applied for registration of a number of utility model patents and invention patents with respect to our steel pipe production machineries and methods which were enhanced or developed through our research and development effort and are mainly related to the modifications or upgrading of the Group's production lines which improve our Group's production efficiency and technology. Further information relating to patents of our Group is set out under the paragraph headed "Intellectual property rights of the Group" in Appendix VI to this prospectus.

During the Track Record Period, the expenses incurred in relation to our design, research and development activities was approximately RMB864,000, RMB1,329,000, RMB2,505,000 and RMB3,026,000 respectively, which mainly includes staff cost of our Group's research and development department and patent-related expenses.

ENVIRONMENTAL PROTECTION

We recognise the importance of environmental protection and adopt stringent environmental protection measures with a view to reducing the impact of our operations on the environment and the risk of exposure to liabilities under the prevailing environmental protection laws and regulations.

Our production operations are subject to the national environmental protection laws and regulations and rules promulgated by the local governments in the jurisdictions where our production facilities are located in the PRC, including 《中華人民共和國環境保護法》 (Environmental Protection Law of the PRC*), 《中華人民共和國環境影響評價法》 (Laws of the PRC on Appraising of Environment Impacts*), 《建設項目環境保護管理條例》 (Administrative Regulations on Environmental Protection for Construction Project*),《中華人民共和國 水污染防治法》(Law of the PRC on the Prevention and Control of Water Pollution*), 《中華人民共和國大氣污染防治法》(Law of the PRC on the Prevention and Control of Atmospheric Pollution*), 《中華人民共和國固體廢物污染環境防治法》(Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Wastes*) and《中華人民共和國環境噪聲污染防治法》(Law of the PRC on Prevention and Control of Environmental Noise Pollution*).

We strive to conduct our business in a manner that we comply with the applicable environmental laws and regulations and, to the practicable extent, minimise any adverse effect on the environment to fulfill our social responsibility as a responsible enterprise. We have obtained governmental confirmation certifying our compliance with the applicable environmental laws and regulations for our production plants.

We have implemented environmental protection standards and procedures and perform constant internal inspection on environmental protection and our continuous efforts in this aspect are evidenced by the accreditation of ISO14001:2004 and GB/T 24001-2004 from China Quality Certificate Centre in September 2004. To obtain such accreditation, we have followed the stringent requirements and conducted different environmental-friendly measures, in particular,

- prevention of pollution: we constantly evaluate different aspects of our production process, including facilities employed and raw material, utilities and packaging materials used, so as to ensure compliance with environmental regulations. In addition, we reuse processed waste water, as much as practicable to reduce pollution. We also have on-site treatment centres for waste water, air and noise generated from our operations before they are discharged;

- control of emission: during the production process, the contents of waste water emitted from our production facilities are monitored daily;

- checking and monitoring measure: we put in place internal procedures to conduct regular checks on our environmental management system which are in compliance with the standards of ISO14001:2004. The ISO14001:2004 certification is renewed every three years subject to inspection by the accreditation institution and we have been accredited with such certification since 2004; and

- staff awareness: results of the emission readings and third party checking are shared with staff members and they are invited to give suggestion to the management to improve our overall environmental protection in the production process.

During the Track Record Period, our Group's expenditure in respect of the regulatory compliance with environmental matters were approximately RMB27,000, RMB52,000, RMB50,000 and RMB30,000, respectively. Our Directors expect that, to their best estimate, the annual cost of compliance with environmental matters will amount to approximately RMB50,000. In order to address any potential future environmental risks, our Group will continue to strictly adhere to the above measures as well as to continue to invest in environmental protection facilities for our production process if necessary, such as our plan to construct a new waste water treatment facilities with estimated cost of approximately RMB1.0 million.

We have assigned three staff members in our management department to be responsible for formulating and implementing environmental-friendly measures. Each of these staff members possesses at least three to four years of experience in environmental management. They have also completed training course for the ISO14000 environmental management system and obtained the relevant certificates.

Up to the Latest Practicable Date, we were not subject to any material fine or claim arising from non-compliance of environmental regulations. As advised by our Company's legal advisers as to PRC law and save as disclosed below, our Directors consider that our Group's production base established in the PRC complied with all applicable laws, regulations and requirements in the PRC in relation to environment protection and has not violated any local environmental protection laws or regulations of the PRC during the Track Record Period.

Save as disclosed below, our subsidiaries in the PRC had gone through the procedures or retrospective procedures and obtained the environmental inspection and pollutant discharge licences for all the production lines including the JCOE production lines of PCKSP, the external anti-corrosive production lines and the cement and bitumen anti-corrosive production lines of Hualong Anti-Corrosion, the JCOE production line of GPR Steel Pipe, the external anti-corrosive production line and internal epoxy coating anti-corrosive production line of GPR Coating, the pipe collar forming machine of GPR Casing Pipe, the bending pipe production line of GPR Petrol-Fittings and the JCOE production line of GPR Steel Pipe (Jiangsu branch) (with respect to its installed production line with an annual production capacity of approximately 300,000 tonnes of LSAW steel pipes).

As the aforesaid JCOE production lines of PCKSP, the external anti-corrosive production lines and the cement and bitumen anti-corrosive production lines of Hualong Anti-Corrosion commenced production before obtaining the necessary approval for relevant environmental impact evaluation and before completing the inspection procedures regarding environmental protection facilities, as advised by our Company's legal advisers as to the PRC law, PCKSP and Hualong Anti-Corrosion may be required by the relevant environmental authorities to take remedial actions within a specified period, or to cease construction, production and operation in case they failed to take such remedial actions or if any pollution is caused. They may also be subject to a penalty of an amount of RMB50,000 to RMB200,000.

Our Controlling Shareholders have agreed to indemnify us against, among other usual provisions regarding taxation and estate duty, any claims or demand made against or losses or expenses incurred by us as a result of our commencing production before obtaining the relevant necessary approval as described above and subject to the provisions of the deed of indemnity executed by our Controlling Shareholders in favour of the Group, more particularly described in paragraph 16 of Appendix VI to this prospectus.

OCCUPATIONAL HEALTH AND SAFETY

We are subject to various PRC work safety laws and regulations such as《中華人民共和國勞動合同法》(Labor Contract Law of the PRC*),《中華人民共和國 就業促進法》(Employment Promotion Law of the PRC*), and《中華人民共和國安全生產法》(Production Safety Law of the PRC*). Our compliance with such laws and regulations is manifested by the accreditation of OHSAS (the Occupation Health and Safety Management System) 18001:1999 certificate issued by China Quality Certificate Centre on 30 September 2004. Coupled with our compliance with ISO 14001:2004 standards, we have set up an integrated management system to ensure that we maintain a synchronous development in the aspects of environment-friendliness, health and safety.

We place emphasis on safe production and we have implemented the following effective measures to minimise the exposures of our employees to risk at work in compliance with the OHSAS 18001 standards:

- safety guidelines and tips on occupational safety such as safety production measures and procedures for handling certain emergencies are provided to our employees;
- occupational safety training are organised and conducted for our staff to promote safety awareness; and
- protective clothing, accessories and equipment are made available to our employees, and we regularly check to ensure these clothing, accessories and equipments are being properly used.

We have experienced personnel involved in formulating and implementing measures to minimise our employees' exposure to risk at work. They have extensive experience in safety management gained from various government departments and manufacturing companies and possess relevant professional qualifications, such as 廣東省安全主任資格證書 (Guangdong Province Safety Officer Qualification Certificate*), OHSAS內審員資格證書 (OHSAS Internal Inspector Certificate*) and 特種設備安全管理人員資格證書 (Special Equipment Safety Management Officer Qualification Certificate*).

In order to further minimise potential future risks associated with occupational health and safety, our Group plans to (i) intensify the training of staff members to raise their safety awareness; (ii) adhere strictly to the OHSAS and enhance the work health and work safety education and publication; and (iii) enhance the operational safety of our staff by improving the production environment, intensifying onsite supervision and perfecting safety production management policy.

During the Track Record Period, we were not subject to any material safety claims, lawsuits, penalties or disciplinary actions, and there had not been any material work accidents causing health or safety issues.

We have obtained governmental confirmations certifying that our subsidiaries in the PRC have all established a sound production safety accountability system and a labour protection system in accordance with the national and regional laws, regulations and other regulatory documents, which is adequate to ensure safe production by their staff. Our subsidiaries in the PRC have not violated the requirements on safety production.

We are also subject to various PRC laws and regulations on employee benefits such as 《企業職工生育保險試行辦法》 (Trial Measures for the Childbirth Insurance for Enterprise Employees*), 《社會保險費徵繳暫行條例》 (Provisional Regulation on the Collection and Payment of Social Insurance Premiums*), 《社會保險登記管理暫行辦法》 (Provisional Measures for Registration and Administration of Social Insurance*), 《住房公積金管理條例》(Regulations on the Administration of Housing Pension Funds*) and 《工傷保險條例》(Regulation on Work-Related Injury Insurances*). Our Directors confirm that, except for the recently established PCKSP (Lianyungang) which has not participated in the housing pension fund scheme as it had not commenced commercial operations nor employed any staff as at the Latest Practicable Date, we have obtained governmental confirmations certifying that our subsidiaries in the PRC have all participated in the housing pension fund scheme by making contributions on a regular basis for their staff in accordance with relevant national and provincial requirements. There has been no overdue or outstanding contributions to the housing pension fund, and our subsidiaries in the PRC have never been punished for non-compliance with the laws and regulations on housing pension fund contributions.

We have also obtained governmental confirmations certifying that our subsidiaries in the PRC have all entered into labour contracts with their staff and participated in the social security insurance by making contributions for their staff in accordance with the 《中華人民共和國勞動合同法》(Labour Contract Law of the PRC*) and the requirements of the local laws and regulations on labour and social security. Our subsidiaries in the PRC have never been punished for non-compliance with the laws and regulations on labour and social security.

INSURANCE

We maintain insurance policies purchased with insurance companies that cover all of our production facilities (including buildings, machinery, equipment and vehicles). These policies cover damages to these production facilities (excluding business interruption losses) caused by fire, flood and other natural calamities.

We do not maintain product liability insurance as it is not a statutory requirement under the relevant PRC law.

We also provide social insurance for our employees as required by the PRC social security regulations, such as pension insurance, unemployment insurance, medical and industrial injuries insurance. For each of the three years ended 31 December 2008 and the eight months ended 31 August 2009, our total insurance expenditures amounted to approximately RMB2.6 million, RMB3.3 million, RMB6.3 million and RMB4.2 million, respectively. Our Directors consider that our Group's insurance coverage is sufficient and in line with normal commercial and customary practice in the PRC.

INTELLECTUAL PROPERTY RIGHTS

To protect our proprietary rights, we rely upon the applicable patent and trademark laws, laws relating to protection of other intellectual property rights, and impose confidentiality obligations on our employees. We also protect our know-how by requiring our employees, in particular, the technical and mechanical personnel, to enter into confidentiality and non-competition undertakings with us.

We conduct our business principally under our trademarks "PCK", "PRST" and "金鳳朝珠" as registered in the PRC, the trademark "PCK" as registered in Hong Kong, Denmark, Brazil, Malaysia, US and with the World Intellectual Property Organization and the trademark "PCK" as being applied for registration in Iran and Pakistan. As at the Latest Practicable Date, we had 21 registered trademarks in the PRC, two registered trademarks (as a series of marks) in Hong Kong, 22 registered trademarks overseas, and have filed application for the registration of six trademarks in the PRC and two trademarks overseas.

In addition, we currently are the registered holder of 40 utility model patents[(Note)] and three invention patents, and have three invention patent registrations currently under application in the PRC. Further information in relation to the trademarks and patents of our Group is set out under the paragraph headed "Intellectual property rights of the Group" in Appendix VI to this prospectus.

Our Directors confirm that, as at the Latest Practicable Date, we were not involved in any proceedings in respect of, and we have not received any notice of any claims of infringement of, any intellectual property rights that may be threatened or pending, in which we may be involved whether as claimant or respondent.

PROPERTY

Owned properties in the PRC

As at the Latest Practicable Date, we owned various buildings and structures comprising 11 parcels of adjourning land with a total site area of approximately 461,001.40 sq.m. and various production plants, warehouses, office and other ancillary supporting facilities with a total gross floor area of approximately 72,718.97 sq.m. in our factory complex in Shiji Town, Panyu, Guangdong Province, the PRC. Further details of this property are set out in Property No.1 in the section headed "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" in Appendix IV to this prospectus. We have obtained the land use rights of this property. However, regarding a parcel of land with a site area of 10,362 sq.m. in this property, although PCKSP has the rights to use the land, it is reserved for public road purpose by the competent land bureau. As a result, 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 resumes the land for the purpose of public road extension to cope with future need and town planning requirement. During the term of the land use rights, 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. However, the Directors consider that the usage of this portion of land is not crucial to our business as it is vacant and the resumption of it by the government would not affect our normal business operation.

Note: As at the Latest Practicable Date, the relevant patent registration certificates in respect of two of the 43 patents in relation to steel pipes production machineries and methods were pending publication by way of public notice in the PRC. Please refer to the paragraph headed "Intellectual property rights of the Group" in Appendix VI to this prospectus for further details.

Further, of the 16 major buildings and structures in our factory complex in Shiji Town, Panyu, Guangdong Province, the PRC that we own and occupy, we have not obtained valid building ownership certificates for 10 buildings and structures with a total gross floor area of approximately 27,302 sq.m., including a backup workshop, an anti-corrosive production plant, a ERW steel pipes ancillary workshop and other supporting facilities. Our Directors consider that such buildings and structures are not crucial to our Group's operation as a whole as they are mainly used for ancillary and complementary purposes only. Moreover, we have not yet obtained the valid building ownership certificate for a new workshop located in Shiji Town, Panyu, Guangdong Province, the PRC with a gross floor area of approximately 9,993.6 sq.m., as it is still under construction. Our Group has applied to the relevant authorities for the building ownership certificates for these buildings and structures.

As advised by our legal advisers as to PRC law, as PCKSP had started using such buildings and structures before completion of the required inspection, our Group may be subject to a fine of 2% to 4% of the value of the project contract, which our Directors estimated the maximum amount of such fine is approximately RMB400,000 (equivalent to approximately HK$456,000). In the event that we are not able to obtain the relevant building ownership certificates, our Controlling Shareholders have agreed to indemnify us against, among other usual provisions regarding taxation and estate duty, any claims or demand made against or losses or expenses incurred by us as a result of such absence of the relevant building ownership certificates pursuant and subject to the provisions of a deed of indemnity to be executed by the Controlling Shareholders in favour of the Group prior to the Listing. Having taken into consideration that (i) PCKSP has obtained valid State-owned Land Use Right Certificates for the land on which the above buildings and structures are erected; (ii) a confirmation was issued by 廣州市城市規劃局番禺區分局 (Panyu Branch of the Bureau of Urban Planning of Guangzhou Municipality*), confirming that according to their records, they are not aware of any investigation or punishment imposed on PCKSP due to the violation of any laws or regulations relating to urban planning; and (iii) a confirmation was issued by 廣州市番禺區建設局 (Construction Department of Panyu District of Guangzhou*), confirming that according to their records, they are not aware of any penalty imposed on PCKSP due to the violation of any construction regulations relating to the above buildings and structures, we do not envisage any difficulties in obtaining the building ownership certificates for the above buildings and structures and we are in the process of obtaining these certificates. Upon obtaining the relevant building ownership certificates, PCKSP has the right to occupy, use, lease, mortgage, and assign the buildings and structures. If there is any change of the position of the relevant local authorities regarding issuance of such certificates, our Group may incur additional cost to re-construct these buildings.

Our Directors consider that in the extreme event that the eleven buildings and structures mentioned above were required to be demolished for the lack of the required building ownership certificates, the impact on our Group's operation would not be material as (i) we may relocate our ancillary production lines or facilities to other buildings within our production complex; and (ii) if necessary, we may also sub-contract such ancillary and complementary production process to other service providers and re-schedule our production plan.

As at the Latest Practicable Date, we also owned a parcel of vacant land with a total site area of 9,103.30 sq.m. at Dalong Village Shaxia, Shiji Town, Panyu, Guangdong Province, the PRC. Further details of this property are set out in Property No.2 in the section headed "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" in Appendix IV to this prospectus. We have obtained the land use rights of this property.

As at the Latest Practicable Date, we also owned 23 residential units of various blocks with a total gross floor area of approximately 1,230.80 sq.m. at Qishan Zhong Road, Zone 3, Shiji Town, Panyu, Guangdong Province, the PRC which are used by our Group as staff quarters. Further details of this property are set out in Property No.3 in the section headed "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" in Appendix IV to this prospectus. We have obtained the right to use this property and is the only party having legitimate interest in this property.

Owned property in Hong Kong

As at the Latest Practicable Date, we owned two office units on 16th Floor, Wah Hing Commercial Centre, No. 383 Shanghai Street, Kowloon, Hong Kong with a total gross floor area of approximately 123.10 sq.m. Further details of this property are set out in Property No. 4 in the section headed "Group II – Property owned and occupied by the Group in Hong Kong and valued on the basis of Market Value" in Appendix IV to this prospectus. Crown Central is the registered owner of the aforesaid office units.

Leased properties

Pursuant to a lease agreement dated 31 December 2008 entered into by GPR Steel Pipe and 江陰泓聯鍍鋅鋼板有限公司 (Jiangyin Honglian Galvanised Steel Stripe Co., Ltd.*), an Independent Third Party, we have leased a workshop ("**Jiangyin Factory**") located at Jiangyin City, Jiangsu Province, the PRC with a total site area of approximately 19,079.81 sq.m. for a term of five years from 1 January 2009 to 31 December 2013 with the first right to renew the lease at the expiry of its term for a further term of five years. The terms of the lease for the Jiangyin Factory were agreed between us and the lessor on normal commercial terms after arm's length negotiation. The Jiangyin Factory housed a new JCOE production line with an annual production capacity of approximately 300,000 tonnes of LSAW steel pipes and the related ancillary production facilities. Such JCOE production line commenced trial production in September 2009 and commercial production in January 2010. We have been advised by our legal advisers as to PRC law that the lessor has obtained all requisite title certificates entitling it to lease the Jiangyin Factory to us, and that the lease agreement, which has been duly registered with the relevant local authorities, is legal, valid and enforceable. Subsequently on 11 December 2009, PCKSP entered into a transfer agreement with 江陰泓聯鍍鋅鋼板有限公司 (Jiangyin Honglian Galvanised Steel Stripe Co., Ltd.*) and 江陰泓華彩鋼板有限公司 (Jiangyin Honghua Color-coated Steel Stripe Co., Ltd.*) (collectively, the "**Transferors**"), both as Independent Third Parties, for the acquisition of the land use rights of the parcel of land on which Jiangyin Factory is erected from 江陰泓華彩鋼板有限公司 (Jiangyin Honghua Color-coated Steel Stripe Co., Ltd.*) and the Jiangyin Factory from 江陰泓聯鍍鋅鋼板有限公司 (Jiangyin Honglian Galvanised Steel Stripe Co., Ltd.*), respectively, at an aggregate consideration of RMB40.35 million. The Transferors are both responsible for applying to the relevant authorities for the registration of the transfer for such land and Jiangyin Factory. Following the payment of the initial transfer fee of RMB40 million on 14 December 2009 by PCKSP according to the transfer agreement, the Transferors and PCKSP had begun the registration process of the ownership transfer of the land and the Jiangyin Factory. Upon the grant of the relevant title certificates to PCKSP by the local land bureau, PCKSP will become the sole legal and beneficial owner and has the right to occupy, use, lease, mortgage, and assign the land and the Jiangyin Factory.

Further details of the Jiangyin Factory are set out in Property No. 8 in the section headed "Group III – Properties occupied by the Group under various operating leases in the PRC" in Appendix IV to this prospectus.

We also leased three residential premises in Shiji Town, Panyu, Guangdong Province, the PRC. Further details of these properties are set out in Property Nos. 5 to 7 in the section headed "Group III – Properties occupied by the Group under various operating leases in the PRC" in Appendix IV to this prospectus.

Valuation and general

Details of the property valuation together with the summary of values and valuation certificate from LCH (Asia-Pacific) Surveyors Limited in respect of the land and buildings owned or leased by us are set forth in Appendix IV to this prospectus.

For the properties in the PRC (which our Group has interest in and which are crucial to our Group's operation) having defective title as at the Latest Practicable Date, the Controlling Shareholders have given indemnity in favour of our Group against possible losses (including penalties, fines and forfeiture of premium paid) in connection thereto.

LEGAL AND REGULATORY MATTERS

As advised by our legal advisers as to PRC law, all members of our Group in the PRC have been engaged in manufacturing businesses within the permitted scopes since their establishment and have obtained all requisite licences, permits, certificates or approvals which are necessary for their business operations and all of the licences and certificates listed below were valid and effective as at the Latest Practicable Date. As at the Latest Practicable Date, none of these companies had been penalised by any relevant government authorities for engagement in manufacturing businesses outside permitted business scopes or in violation of the applicable laws.

No.	Name of document	Issuer	Document No.	Date of issue	Validity
PCKSP					
1.	Enterprise legal person business licence	Industrial and Commercial Administrative Bureau of Panyu, Guangzhou City	Qi Du Yue Sui Zong Zi No. 304072	29 December 2007	7 June 1993 to 7 June 2043
2.	Certificate of approval for establishment of enterprises with investment of Taiwan, Hong Kong, Macau and overseas Chinese in the PRC	The People's Government of Guangzhou City	Shang Wai Zi Sui Wai Zi Zheng Zi [2007] No. 0060	29 December 2007	Valid, subject to annual review
3.	Manufacture Licence of Special Equipment (Pressure Pipeline Components)	General Administration of Quality Supervision, Inspection and Quarantine of the PRC	TS2710K19-2013	5 August 2009	5 August 2009 to 4 August 2013
4.	Customs registration certificate for import and export of products	Panyu customs of the PRC	HJ4423940640	7 June 1993 (registration date)	7 June 1993 to 7 June 2011
GPR Steel Pipe					
5.	Enterprise legal person business licence	Industrial and Commercial Administrative Bureau of Panyu, Guangzhou City	440126400001356	7 August 2009	16 October 2006 to 16 October 2017
6.	Certificate of approval for establishment of enterprises with investment of Taiwan, Hong Kong, Macau and overseas Chinese in the PRC	The People's Government of Guangzhou City	Shang Wai Zi Sui Pan Wai Zi Zheng Zi [2006] No. 0102	25 December 2007	Valid, subject to annual review
GPR Steel Pipe (Jiangsu branch)					
7.	Business licence	Industrial and Commercial Administrative Bureau of Jiangyin, Wuxi City	No.320281500001954	17 October 2008	Valid, subject to annual review
8.	Manufacture Licence of Special Equipment (Pressure Pipeline Components)	General Administration of Quality Supervision, Inspection and Quarantine of the PRC	TS2710K88-2013	19 November 2009	19 November 2009 to 18 November 2013

No.	Name of document	Issuer	Document No.	Date of issue	Validity
GPR Coating					
9.	Enterprise legal person business licence	Industrial and Commercial Administrative Bureau of Guangzhou City, Panyu Bureau	Qi Du Yue Sui Zong Zi No. 303865	30 October 2008	16 October 2006 to 16 October 2017
10.	Certificate of approval for establishment of enterprises with investment of Taiwan, Hong Kong, Macau and overseas Chinese in the PRC	The People's Government of Guangzhou City	Shang Wai Zi Sui Pan Wai Zi Zheng Zi [2006] No. 0104	25 December 2007	Valid, subject to annual review
GPR Casing Pipe					
11.	Enterprise legal person business licence	Industrial and Commercial Administrative Bureau of Panyu, Guangzhou City	Qi Du Yue Sui Zong Zi No. 303866	30 October 2008	16 October 2006 to 16 October 2017
12.	Certificate of approval for establishment of enterprises with investment of Taiwan, Hong Kong, Macau and overseas Chinese in the PRC	The People's Government of Guangzhou City	Shang Wai Zi Sui Pan Wai Zi Zheng Zi [2006] No. 0103	25 December 2007	Valid, subject to annual review
GPR Petrol-Fittings					
13.	Enterprise legal person business licence	Industrial and Commercial Administrative Bureau of Panyu, Guangzhou City	Qi Du Yue Sui Zong Zi No. 303867	21 November 2008	16 October 2006 to 16 October 2017
14.	Certificate of approval for establishment of enterprises with investment of Taiwan, Hong Kong, Macau and overseas Chinese in the PRC	The People's Government of Guangzhou City	Shang Wai Zi Sui Pan Wai Zi Zheng Zi [2006] No. 0101	25 December 2007	Valid, subject to annual review
Hualong Anti-Corrosion					
15.	Enterprise legal person business licence	Industrial and Commercial Administrative Bureau of Panyu, Guangzhou City	Qi Du Yue Sui Zong Zi No. 301976	29 December 2007	19 October 1999 to 19 October 2010
16.	Certificate of approval for establishment of enterprises with investment of Taiwan, Hong Kong, Macau and overseas Chinese in the PRC	The People's Government of Guangzhou City	Shang Wai Zi Sui Pan Wai Zi Zheng Zi [1999] No. 0027	25 December 2007	Valid, subject to annual review
PCKSP (Lianyungang)					
17.	Enterprise legal person business licence	Industrial and Commercial Administrative Bureau of Lianyungang, Jiangsu Province	No.320700000106388	12 November 2009	8 July 2009 to 7 July 2059

We had not been involved in any litigation, claim, administrative action or arbitration, which had a material adverse effect on our operations or financial condition during the Track Record Period and as at the Latest Practicable Date, we were not involved in any proceedings, the outcome of which could have a material adverse effect on our business.

OFAC regulations

The US Department of the Treasury's Office of Foreign Assets Control, or OFAC, administers certain laws and regulations, or US Economic Sanctions Laws, that impose restrictions upon US persons and, in some instances, foreign entities owned or controlled by US persons, with respect to activities or transactions with certain countries, governments, entities and individuals that are the subject of US Economic Sanctions Laws, or Sanctions Targets. US persons are also generally prohibited from facilitating such activities or transactions. In the Track Record Period, we sold a portion of our products to companies which we understand used such products in connection with projects for Sanctions Targets; we also made limited sales directly to entities in Sanctions Targets. To the best knowledge of our Directors, for each of the three years ended 31 December 2008 and the eight months ended 31 August 2009, our indirect and direct sales to Sanctions Targets, including Burma, Sudan and Iran, accounted for approximately 4.9%, 0.3%, 1.4% and 5.3%, respectively, of our total revenue.

COMPETITION

We operate in a competitive industry. Our competitors may be categorised into PRC domestic and foreign competitors. We principally compete with other steel pipe manufacturers on price, quantity, research and development capabilities as well as ability to accommodate customers' needs.

Our Directors consider that as China is currently the net exporter of steel pipes, we are not competing with imported steel pipes in the PRC domestic market but we mainly compete with a number of domestic steel pipe manufacturers who are capable to produce LSAW steel pipes in the PRC. According to CISA, production of welded steel pipes for transportation uses, such as transportation of oil, gas and water, amounted to approximately 759,000 tonnes and 1,195,000 tonnes, respectively, for each of the two years ended 31 December 2006. During the same period, our production of steel pipe products for such uses amounted to approximately 211,967 tonnes and 194,376 tonnes, respectively, which accounted for approximately 27.9% and 16.3%, respectively, of total production in China. Moreover, for each of the three years ended 31 December 2008 and the eight months ended 31 August 2009, we exported approximately 59,840 tonnes, 66,050 tonnes, 140,830 tonnes and 62,790 tonnes, respectively, of LSAW steel pipes, with diameter larger than 406.4 mm, for the transportation of oil and gas, which accounted for approximately 52.7%, 23.4%, 38.0% and 33.3%, respectively, of the total export of same kind of steel pipes from China.

In overseas markets, we face competition from steel pipe manufacturers in various countries, such as Japan, Russia, USA, South Korea and Germany. In addition, due to the imposition of anti-dumping and countervailing measures in various countries, including the United States and the EU, it may be anticipated that some of our competitors (be they in the PRC or otherwise) may attempt to avoid or minimise their risk exposure to these measures by, among other means, shifting their sales to those markets which do not have anti-dumping and countervailing measures from the original targeted United States or EU markets and/or dumping their steel pipe inventories with substantial price cut and/or switching their productions to those LSAW steel pipes with specifications not falling under the scope of the relevant anti-dumping measures, leading to more intense competition in steel pipe market. In addition, any duties imposed pursuant to such anti-dumping and countervailing measures will result in the increase of our sales cost, in which case we may increase the price of our exported products. As a result, our competitiveness against such other foreign pipe manufacturers in terms of pricing may be adversely affected which may lead to decrease in our exports sales. However, our Directors believe that our high quality steel products will enable us to maintain our competitiveness in the overseas markets.

Furthermore, as confirmed by CSPA, we are a manufacturer capable to produce LSAW steel pipes with the largest outside diameter in the PRC and we are also the largest LSAW steel pipes manufacturer in the PRC in terms of the production volume of our LSAW steel pipes in each of the two years ended 31 December 2008. Our Directors consider that our ability to produce a wide range of products with different specifications gives us a competitive advantage as we can accommodate the diversified needs of our customers. Moreover, according to CSPA, amongst all CSPA's members, our JCOE production line located in Panyu, Guangdong Province, the PRC was the first LSAW steel pipes production line in the PRC and our UOE production line was also the first LSAW steel pipes production line using UOE production method in the PRC. Our Directors believe that our profound experience and our well established reputation in the industry enhance our competitiveness in both domestic and overseas market. For further details of our competitive strengths, please refer to the paragraph headed "Our competitive strengths" above in this section.

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.

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.

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.

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.

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.

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.

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.

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.

CONNECTED TRANSACTIONS

Upon Listing, the transactions described below will constitute continuing connected transactions (as such term is defined under the Listing Rules) for our Company.

Relationship between our Group and the connected persons

Mr. Chen is an executive Director and is therefore a Connected Person of our Company under the Listing Rules.

GZFLD and GZMT are both ultimately, wholly and beneficially owned by Mr. Chen. Both GZFLD and GZMT are associates of Mr. Chen and are therefore also Connected Persons of our Company.

Under the Listing Rules, for so long as GZFLD and GZMT remain as Connected Persons of our Company, the following transactions of our Group with GZFLD and GZMT respectively would constitute connected transactions upon Listing.

As disclosed in the section headed "Relationship with Controlling Shareholders" in this prospectus, our Group had alternative suppliers for the Spare Parts other than GZFLD and GZMT during the Track Record Period, and it is expected that our Group can continue to secure supplies from such alternative suppliers after the Listing as and when the Board considers necessary.

Continuing connected transactions subject to the reporting and announcement requirements

Nature of the transactions and historical figures

PCKSP purchased spare parts (the "**Spare Parts**") of the machines used for the manufacturing and processing of steel pipes (i.e. the principal business of our Group) from GZFLD and GZMT during the Track Record Period. Such Spare Parts were and will be used by our Group for repair and maintenance of machines and as components for (i) the maintenance of machines and/or production lines and (ii) the installation of new production lines and new production facilities, both for the manufacturing of steel pipes and processing of steel plates. Some of the Spare Parts are general accessory items and some of them are required to be tailor-made, thus ancillary processing work on the Spare Parts is required. The design of the Spare Parts is provided by PCKSP. The Spare Parts purchased from GZFLD include structural fittings such as screws, protectors to machines, handles and steel frames, while those purchased from GZMT include moulding and axles to the machinery. For each of the three years ended 31 December 2008 and the eight months ended 31 August 2009, the purchases of the Spare Parts by PCKSP from GZFLD amounted to approximately RMB4.5 million, RMB4.0 million, RMB4.9 million and RMB2.2 million, respectively (equivalent to approximately HK$5.1 million, HK$4.6 million, HK$5.6 million and HK$2.5 million, respectively), while the purchases of the Spare Parts by PCKSP from GZMT amounted to approximately RMB0.9 million, RMB9.1 million, RMB10.2 million and RMB7.5 million, respectively (equivalent to approximately HK$1.0 million, HK$10.4 million, HK$11.6 million and HK$8.6 million, respectively). The sharp increase of the amount of purchases of the Spare Parts from GZMT by PCKSP from the year ended 31 December 2006 to the year ended 31 December 2007 was due to the installation of a new JCOE production line by PCKSP in Zhangjiagang, Jiangsu Province, the PRC during the year ended 31 December 2007 (the installation of which was completed in around March 2008 and the production line was then operated by GPR Steel Pipe (Zhangjiagang branch)), which accordingly led to a substantial increase in the purchase of the Spare Parts.

Principal terms of the transactions

During the Track Record Period, no written master agreement was entered into between our Group and GZFLD or between our Group and GZMT for the purchase of the Spare Parts. The purchase prices were agreed by PCKSP with GZFLD and GZMT respectively with reference to, among others, the terms offered to PCKSP by Independent Third Parties and at the prevailing market prices of the Spare Parts. Such agreed purchase prices with GZFLD and GZMT were generally no less favourable than the then prevailing market prices of the relevant Spare Parts. Our Directors confirm that the historical transactions were conducted on an arm's length basis and were no less favourable than the then prevailing market prices. Further, in light of the considerably long history of purchasing the Spare Parts from GZFLD and GZMT, our Directors consider that PCKSP could continue to benefit from the above transactions for a reliable source of supply in view of the capability of GZFLD and GZMT in providing the Spare Parts with the required technical and quality requirements that suite the Group's needs and for the sake of keeping confidentiality of the design for the Spare Parts as provided by PCKSP.

By entering into the master purchase agreement with GZFLD (the "**GZFLD Master Agreement**") and the master purchase agreement with GZMT (the "**GZMT Master Agreement**"), our Group has agreed to purchase the Spare Parts from GZFLD and GZMT at prices and on terms to be determined from time to time by our Group respectively with GZFLD and GZMT, which in any event shall be no less favourable than the prevailing market prices of the Spare Parts and on such other customary terms of sale and purchase applicable from time to time which include, among others, procedures to place purchase orders, quality of the Spare Parts required, mode of delivery and inspection of products and payment terms, provided that such terms are on normal and usual commercial terms and are no less favourable than those applicable to the purchase of the same type and quality of the Spare Parts for comparable quantity by our Group from Independent Third Parties. Both the GZFLD Master Agreement and the GZMT Master Agreement commenced on 23 January 2010 and will expire on 31 December 2012, unless terminated earlier by three months' prior written notice by either party as of contractual right of either party, or immediately upon written notice being served by either party if the other party is in material breach (or continued material breach after written warning) of the terms of the GZFLD Master Agreement or the GZMT Master Agreement or if the other party goes into liquidation or analogous proceedings.

Aggregation of the continuing connected transactions contemplated under the GZFLD Master Agreement and the GZMT Master Agreement

Since the continuing connected transactions contemplated under the GZFLD Master Agreement and the GZMT Master Agreement are to be entered into by our Group with parties associated with one another (as both GZFLD and GZMT are ultimately, wholly and beneficially owned by Mr. Chen), the continuing connected transactions under the GZFLD Master Agreement and the GZMT Master Agreement may be aggregated by the Stock Exchange under Rule 14A.26(1) of the Listing Rules. Accordingly, the GZFLD Annual Caps (as defined below) as aggregated with the GZMT Annual Caps (as defined below) are used in calculating the applicable percentage ratios under Chapter 14 of the Listing Rules for the above continuing connected transactions, details of which are set out in the paragraph below.

Annual monetary caps for the three years ending 31 December 2012

It is currently expected that the aggregate amount of purchases of the Spare Parts by our Group from GZFLD under the GZFLD Master Agreement for each of the three years ending 31 December 2012 would not exceed RMB6.7 million, RMB12.3 million and RMB13.9 million, respectively (the "**GZFLD Annual Cap**") (equivalent to approximately HK$7.6 million, HK$14.0 million and HK$15.8 million, respectively) while the aggregate amount of purchases price of the Spare Parts by our Group from GZMT under the GZMT Master Agreement for each of the three years ending 31 December 2012 would not exceed RMB16.1 million, RMB29.4 million and RMB33.4 million, respectively (the "**GZMT Annual Cap**") (equivalent to approximately HK$18.4 million, HK$33.5 million and HK$38.1 million, respectively). Accordingly, the aggregate maximum annual value of the GZFLD Annual Cap and the GZMT Annual Cap for each of the three years ending 31 December 2012 would not exceed RMB22.8 million, RMB41.7 million and RMB47.3 million, respectively (equivalent to approximately HK$26.0 million, HK$47.5 million and HK$53.9 million, respectively). The expected significant increase of the GZFLD Annual Cap and the GZMT Annual Cap from year 2010 to year 2011 is primarily due to (i) the increase in the total number of production lines from five to seven; and (ii) the construction of steel plate processing facilities, being one of the proposals under the Expansion Plan. Both the maintenance and installation of the production lines and facilities will lead to an expected increase in demand for the Spare Parts, and thus the expected increase for GZFLD Annual Cap and GZMT Annual Cap.

On an aggregate basis, all the percentage ratios (other than the profits ratio) for the continuing connected transactions under both the GZFLD Master Agreement and the GZMT Master Agreement will be less than 2.5% on an annual basis calculated with reference to Rule 14.07 of the Listing Rules.

The GZFLD Annual Cap and the GZMT Annual Cap were determined by our Directors after taking into consideration the following factors:

(i) the historical usage of the Spare Parts by our Group. For the Spare Parts used mainly for maintenance, the aggregated amount of purchases from GZFLD and GZMT is expected to be roughly proportional to the number of production lines operated by our Group. For the Spare Parts used mainly for installation of new production lines and new production facilities, the aggregated amount of purchase from GZFLD and GZMT is estimated to tie in with the Expansion Plan as summarised below (details of which are set out in the subsection headed "Strategy" in the section headed "Business" and the section headed "Future plans and use of proceeds" in this prospectus);

(ii) the historical price and quantity of the Spare Parts purchased by our Group from GZFLD and GZMT;

(iii) the actual purchase price and quantity of the Spare Parts purchased by our Group from GZFLD during the eight months ended 31 August 2009. Based on the unaudited financial information, the aggregate purchases of the Spare Parts from GZFLD for the year ended 31 December 2009 did not exceed RMB5.0 million;

(iv) the actual purchase price and quantity of the Spare Parts purchased by our Group from GZMT during the eight months ended 31 August 2009. Based on the unaudited financial information, the aggregate purchases of the Spare Parts from GZMT for the year ended 31 December 2009 did not exceed RMB12.0 million;

(v) the future expansion plan (the "**Expansion Plan**") to be implemented by our Group for the installation of new production lines and production facilities which is expected to give rise to a demand for the Spare Parts, and the regular maintenance of the production lines in operation after the Listing. Such Expansion Plan is expected to give rise to an increase in the demand for the Spare Parts; and

(vi) our Directors expect that, for the three years ending 31 December 2012, the price of the Spare Parts to be purchased from GZFLD and from GZMT will be subject to an estimated annual increase of 5% with reference to the growth in steel price anticipated by the management of our Company. Further, while our Directors expect that the quantity of the Spare Parts required would increase (comparing with that for the year ended 31 December 2009) for the year ending 31 December 2010 due to the Expansion Plan, our Company would monitor the amount of purchase of the Spare Parts from GZFLD and from GZMT in an attempt to keep the said amount of purchase below the GZFLD Annual Cap and the GZMT Annual Cap sought for the year ending 31 December 2010. The quantity of the Spare Parts to be purchased from GZFLD and from GZMT (for the maintenance component) is expected to be roughly proportional to the number of production lines to be operated by our Group, while the quantity of the Spare Parts to be purchased from GZFLD and from GZMT (for the new installation component) is expected to constitute a generally consistent percentage of the expected total investment costs for each of the three years ending 31 December 2012.

For the Expansion Plan as referred to in paragraph (v) above, upon Listing, our Company currently expects to use part of the net proceeds raised from the New Issue to increase its production capacity in the following manner which is expected to give rise to a demand for additional Spare Parts:

(i) to invest in the installation of two new production lines for LSAW steel pipes, one to commence investment and installation during the year ending 31 December 2010 and the other to commence investment and installation during the year ending 31 December 2011;

(ii) to invest in the installation of new steel plate processing facilities during the year ending 31 December 2011; and

(iii) to invest in the installation of a new casing pipes production line during the year ending 31 December 2012.

Our Directors wish to emphasise that the Expansion Plan and the use of the net proceeds to be raised from the New Issue are subject to modification, having regard to factors such as the prevailing business environment and pace of development. In the event that the transaction amount with GZFLD and/or GZMT for the Spare Parts to be incurred in 2010, 2011 and 2012 nearly exceeds the respective GZFLD Annual Cap and/or GZMT Annual Cap sought for the corresponding year, our Group shall, as soon as practicable, take necessary steps to comply with the Listing Rules, including reporting to the Stock Exchange, making announcement(s) and where necessary, seeking independent Shareholders' approval as to the increased caps in accordance with the Listing Rules.

The respective views of our Directors and the Joint Sponsors on the continuing connected transactions

Given that the continuing connected transactions under the GZFLD Master Agreement and under the GZMT Master Agreement will be carried out following the Listing on a recurring basis, and such transactions will be entered into in the ordinary and usual course of business of our Group and on normal commercial terms from the perspective of our Group, and that the terms of the transactions and the GZFLD Annual Cap and the GZMT Annual Cap are fair and reasonable and in the interests of the Shareholders as a whole, our Directors, including the independent non-executive Directors, consider that strict compliance with the announcement requirement under the Listing Rules would be unduly burdensome and impracticable on each occasion when any such individual transaction is entered into.

The Directors, including the independent non-executive Directors, confirm that:

(a) the transactions under the GZFLD Master Agreement and the GZMT Master Agreement respectively have been and shall be entered in the ordinary and usual course of business, on normal commercial terms, and such transactions as well as the GZFLD Annual Caps and the GZMT Annual Caps are fair and reasonable in the interests of the Shareholders as a whole; and

(b) after Listing, our Group will strictly adhere to the terms of the GZFLD Master Agreement and the GZMT Master Agreement which will be no less favourable to our Group than terms offered by Independent Third Parties.

In this regard, our Directors, including the independent non-executive Directors, are of the view that the continuing connected transactions under the GZFLD Master Agreement and under the GZMT Master Agreement and the respective GZFLD Annual Caps and the GZMT Annual Caps thereof are in the interest of the Shareholders as a whole.

The Joint Sponsors, having taken into account the relevant documentations, information and historical figures provided by our Group and our Directors and having discussed with the management of our Group to satisfy themselves of the reliability of the information provided, are of the opinion that the transactions under the GZFLD Master Agreement and under the GZMT Master Agreement have been and shall be entered into in the ordinary and usual course of business of our Group, on normal commercial terms, are fair and reasonable and in the interests of the Shareholders as a whole, and that the GZFLD Annual Cap and the GZMT Annual Cap for those transactions are fair and reasonable and in the interests of the Shareholders as a whole.

Waiver from compliance with announcement requirement

In view of the above, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the announcement requirement under Chapter 14A of the Listing Rules in respect of the transactions under the GZFLD Master Agreement and under the GZMT Master Agreement pursuant to Rule 14A.42(3) of the Listing Rules for the period up to the year ending 31 December 2012 based on the following conditions:

(a) our Company is required to comply with Rules 14A.35(1) and (2), 14A.36 to 14A.40 and 14A.45 to 14A.46 of the Listing Rules in relation to the continuing connected transactions under the GZFLD Master Agreement and the GZMT Master Agreement;

(b) in respect of Rules 14A.35(2) and 14A.36(1) of the Listing Rules, the maximum aggregate annual value of the continuing connected transactions under the GZFLD Master Agreement and the GZMT Master Agreement will not exceed the GZFLD Annual Cap and the GZMT Annual Cap respectively as set out above;

(c) in the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable provisions under Chapter 14A of the Listing Rules as at the date of the prospectus relating to the continuing connected transactions, our Company will take necessary action to ensure compliance with such requirements within a reasonable period; and

(d) upon expiry of the waiver granted for the period ending 31 December 2012, our Company will comply with the relevant requirements under Chapter 14A of the Listing Rules.

DIRECTORS

Executive Directors

Mr. CHEN Chang (陳昌), aged 63, founder of our Group. Mr. Chen was initially appointed as a Director on 9 January 2008, and was subsequently designated as an executive Director on 23 January 2010. Mr. Chen is the father of Ms. Chen Zhao Nian and Ms. Chen Zhao Hua (both being executive Directors). Before the establishment of PCKSP in June 1993, Mr. Chen had worked for over 30 years in the areas related to woodwork, machine tool equipment and lift/escalator equipment, and accumulated experience and knowledge on mechanical and electrical industry. Since June 1993, Mr. Chen has been appointed as the legal representative of PCKSP. Mr. Chen was appointed by several steel pipe related associations and organisations for various positions, including the member of 第四屆焊接鋼管學術委員會委員 (The Fourth Session of Welded Steel Pipe Academic Committee*) by 中國金屬學會軋鋼分會 (The Steel Rolling Branch Association of the Chinese Society for Metals*) in 2001, the vice president of 中國鄉鎮企業協會 (China Township Enterprises Association*), and the vice chairman of 第四屆理事會 (The Fourth Session of Board of Directors*) and 第五屆理事會 (The Fifth Session of Board of Directors*) by CSPA in 2004 and 2008 respectively. Mr. Chen was awarded with various honours and obtained different qualifications. In 2004, he was honoured by Ministry of Commerce, Industry and Energy of Republic of Korea for his contribution to Korean economic development through trade revitalisation, and was also elected as 中國優秀民營科技企業家 (Excellent Entrepreneur in Chinese Private Technology Enterprises*) by All-China Federation of Industry & Commerce. In 2007, he was elected as the winner of 科學技術獎一等獎 (The First Prize of Science and Technology Awards*) by 廣州市人民政府 (Guangzhou Municipality People's Government*), and as authority expert of welded pipe industry by 中國國際權威專家協會 (Chinese International Authority Expert's Association*). In 2008, Mr. Chen was awarded the gold prize for his invention, 三輥成型工藝及設備 (Three-roller forming technology and equipment*), in 第六屆國際發明展覽會 (The Sixth Session of International Exhibition of Inventions*), and was awarded an outstanding award by 廣東省人事廳 (Guangdong Provincial Bureau of Personnel*) and 廣東省知識產權局 (Guangdong Province Intellectual Property Department*). In October 1995, Mr. Chen graduated from the graduate school of 中山大學 (Sun Yat-Sen University*) in Guangdong Province, the PRC, majoring in decision management. In 1997, Mr. Chen was accredited as a senior economist by 廣東省人事廳 (Guangdong Provincial Bureau of Personnel*).

During the Track Record Period, Mr. Chen's roles in PCKSP and Hualong Anti-Corrosion include overseeing their overall strategic development, soliciting for business opportunities, having regular meetings with senior management and staff and conducting site visits at the production factories so as to keep close track with the said companies' latest development. Mr. Chen's main role in Crown Central during the Track Record Period was to formulate the overall strategies for enhancing the image of PCKSP to its overseas customers through Crown Central. As for the GPR Companies which had not commenced commercial operation before 2008, Mr. Chen's main role therein include the preliminary preparation work and the making of start-up plans regarding the establishment of the GPR Companies. For Lessonstart, CKSPG and Lucknow which are investment holding companies of our Group, Mr. Chen did not perform substantial roles therein during the Track Record Period.

Ms. CHEN Zhao Nian (陳兆年), aged 32, a daughter of Mr. Chen who is the founder of our Group. Ms. Chen was appointed as an executive Director on 13 March 2008. Ms. Chen is mainly responsible for and assists in the daily management and operations of our Group. Ms. Chen obtained her bachelor's degree in arts from the University of Central Lancashire in the United Kingdom in June 2000 and obtained her master's degree in accounting from Leeds Metropolitan University, the United Kingdom, in October 2002. Ms. Chen joined PCKSP as vice general manager after graduation. Ms. Chen is also serving as the secretary to the board of directors of PCKSP and a director of PCKSP, Hualong Anti-Corrosion and GPR Steel Pipe.

Ms. CHEN Zhao Hua (陳兆華), aged 30, a daughter of Mr. Chen who is the founder of our Group. Ms. Chen was appointed as an executive Director on 13 March 2008. Ms. Chen oversees the exports sales division of our Group and is mainly responsible for handling sales, business relationship with overseas customers and sales and bidding agents as well as overseas marketing activities. She obtained her master's degree of L.L.M. in International Commercial Law from University of Nottingham, the United Kingdom, in December 2002. After graduation, Ms. Chen has been working as the vice general manager of PCKSP. Ms. Chen was appointed as the vice chairman of PCKSP in January 2006. She is also a director of PCKSP, Hualong Anti-Corrosion, GPR Steel Pipe and Crown Central. Ms. Chen was elected as the winner of 科學技術獎一等獎 (The First Prize of Science and Technology Awards*) by 廣州市人民政府 (Guangzhou Municipality People's Government*) in 2007.

Each of the executive Directors has entered into a service contract with our Company for a period of three years commencing from 1 February 2010. Under such contract, each Director will receive a fixed monthly salary and may receive a discretionary bonus. Further details of the terms of the service contracts of the executive Directors are set out under the paragraph headed "Particulars of service contracts" in Appendix VI to this prospectus. Under the arrangements currently in force, we estimate the aggregate remuneration, excluding discretionary bonus, payable to our Directors for the year ending 31 December 2010 is estimated to be approximately RMB3,893,000.

Independent non-executive Directors

Mr. CHEN Ping (陳平), aged 44. Mr. Chen Ping was appointed as an independent non-executive Director on 23 January 2010. Mr. Chen Ping graduated from the Jinan University, the PRC, in 1984 majoring in international finance and later obtained a doctoral degree in international finance in Nankai University, the PRC, in December 1990. Commencing from January 1991, Mr. Chen Ping began lecturing at the Lingnan College, Guangzhou Sun Yat-Sen University, teaching international finance, and is currently the vice president of the Lingnan College. Mr. Chen Ping also assumed various posts in societies and clubs concerning economics and finance, such as council member at 中國國際金融學會 (International Finance Society of China*) and 中國世界經濟學會 (China Society of World Economics*). Mr. Chen Ping is also engaged in academic research which mainly focuses on finance theory and policy, global economics and so forth, and has published a number of essays and publications. As an experienced professor, Mr. Chen Ping has won various awards for the lecture materials used and also for the essays published. In 1997, Mr. Chen Ping's teaching materials entitled《國際金融》(International finance*) was awarded as 國家教學成果二等獎 (National Educational Achievement Award – Second Class*) by Committee of Education of the PRC. In May 2002, Mr. Chen Ping's paper entitled《上市公司兼併與收購的財富效應研究》(Study on the effect of merger and acquisition of listed companies on wealth*) was selected for the Best Paper Award of the 9th Global Finance Association Annual Conference by the 9th GFA Annual Conference Program Committee. In 2005, Mr. Chen Ping's teaching materials entitled《教學國際化的探索與實踐》(Exploration and practice of educational internationalisation*) was awarded as 廣東省教學成果一等獎 (Guangdong Province Educational Achievement Award – First Class*). In 2006, Mr. Chen Ping was selected as nominee for 教育部新世紀優秀人才支持計劃 (Ministry of Education New Century Outstanding Person Support Scheme*). In 2007, Mr. Chen Ping received 寶鋼優秀教師獎 (Bao Steel Outstanding Teacher Award*). Mr. Chen Ping acted as an independent director of 深圳市中金嶺南有色金屬股份有限公司 (Shenzhen Zhongjin Lingnan Nonfemet Company Limited*), a company listed on the Shenzhen Stock Exchange, for six years until June 2008. Since January 2009, Mr. Chen Ping has been acting as an independent director of 廣晟有色金屬股份有限公司 (Rising Nonferrous Metals Share Co., Ltd.*), a company listed on the Shanghai Stock Exchange. Mr. Chen Ping is not related to our executive Directors, Mr. Chen, Ms. Chen Zhao Nian and Ms. Chen Zhao Hua.

Mr. LIANG Guo Yao (梁國耀), aged 51. Mr. Liang was appointed as an independent non-executive Director on 23 January 2010. Mr. Liang completed professional courses specialising in economics in 中共廣東省委黨校 (Zhonggong Guangdong Sheng Wei Dang Xiao*) in July 1992. From June 2003 to July 2006, Mr. Liang worked as Committee Secretary and National People's Congress Chairman of Shiji Town, Panyu, Guangdong, Province, the PRC. Mr. Liang was then responsible for the strategic planning for major matters of Shiji Town, Panyu, Guangdong Province, the PRC such as those in relation to economics, laws and politics, social order and human resources arrangement. In March 1996, Mr. Liang was appointed as Mayor of Dagang, Panyu, Guangdong Province, the PRC in the 1st Meeting of the 14th People's Representative Congress of

Dagang town, Panyu, Guangdong Province, the PRC who was responsible for the overall planning and implementation for the social and economical development of Dagang, as well as considering and if thought fit granting approvals for major infrastructure proposals at Dagang. Having been a government official serving at the local government in the PRC for over 30 years since 1975 until his retirement in 2006, Mr. Liang has gained profound management experience in the public sector.

Mr. SEE Tak Wah (施德華), aged 46. Mr. See was appointed as an independent non-executive Director on 23 January 2010. Mr. See graduated from the Management School of Waikato University in New Zealand with a first class honours in Bachelor of Management Studies and is a member of the Institute of Chartered Accountants of New Zealand and an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. See has over 20 years' experience in financial and general management where he previously worked as the regional business controller of Nokia Mobile Phones Asia Pacific, the managing director of Nokia Mobile Phones Hong Kong, the chief operating officer of First Mobile Group Holdings Limited and held key management position in the North Asia offices of Philips and Siemens. Mr. See was an independent non-executive director of First Mobile Group Holdings Limited (Stock code: 0865) and resigned from such post with effect from 2 December 2009. Mr. See is currently running his own strategic consultancy business. In addition, he currently serves as an independent non-executive director of Buildmore International Limited (Stock Code: 0108) and Sun East Technology (Holdings) Limited (Stock Code: 0365).

SENIOR MANAGEMENT

Mr. WANG Lishu (王利樹), aged 52. Mr. Wang joined PCKSP in June 1994 as deputy director in charge of production and now serves as its chief engineer and director responsible for technical research and development at PCKSP. Prior to his promotion to serve as PCKSP's chief engineer, Mr. Wang had previously assumed various posts at PCKSP such as its engineer, vice director at its branch factory for the manufacturing of welded steel pipes and its assistant chief engineer. At PCKSP, Mr. Wang has been in charge of the installation, tuning and testing of the ERW steel pipes production line, JCOE production line and UOE production line. In 1982, he graduated from 西安礦業學院 (Xi'an Mining Institution*), the PRC, and majored in mechanisation of coal mine, and was recognised as senior mechanical engineer by 廣東省人事廳 (Guangdong Provincial Bureau of Personnel*) in 1998. In 1996, "Pressure ERW Steel Pipe Products" in which Mr. Wang participated in designing was awarded as 廣東省優秀新產品獎 (Outstanding New Product Award of Guangdong Province*). In 1997, "Research & Manufacturing of Pressure ERW Steel Pipes" in which Mr. Wang participated in designing was awarded the 2nd class prize by 廣東省重化工廳 (Guangdong Provincial Bureau of Heavy Chemical Industry*) and 廣東省市科技局 (Guangzhou Municipal Bureau of Science and Technology*). Mr. Wang was appointed as member of 全國標準化技術委員會委員 (National Standardization Technology Committee*) in 2003. In 2004, Mr. Wang was granted the qualification by the People's Government of Panyu District to enjoy special governmental subsidy. In 2006, he was accepted as member of 中國金屬學會軋鋼分會第五屆焊接鋼管學術委員會 (the 5th Academy Committee of Welded Steel Pipes under Steel Rolling Branch of China Metal Association*). In 2006, Mr. Wang acted as member of the editorial board of the magazine 《鋼管》 (Steel Pipe*). In 2007, Mr. Wang was granted the silver award at 第十六屆全國發明展覽會 (the 16th China Invention Exhibition*) for recognition of his welded pipes production technique patent in 2006, and was elected as the winner of 科學技術獎一等獎 (The First Prize of Science and Technology Awards*) by 廣州市人民政府 (Guangzhou Municipality People's Government*). In 2007, Mr. Wang was employed as deputy director of 廣東省鄉鎮企業協會 (the Committee on The Teaching of Science under the Guangdong Township Enterprises Association*) and was honoured as 番禺區科技創新帶頭人 (Technology Innovation Pioneer in Panyu District*) by 廣州市番禺區科技工作領導小組 (Guangzhou City Panyu District Technology Work Leading Committee*). In 2008, Mr. Wang was appointed as a committee member of the assistant supervisor of 全國鋼標準化技術委員會鋼管分會技術委員會 (Technical Association of Steel Pipe Branch of National Technical Committee for Steel Standardization*).

Mr. LI Junqiang (李軍強), aged 37. Mr. Li joined PCKSP in July 1995 as a technician and thereafter acted as research engineer and manager of general planning. He is now the vice general manager of PCKSP in charge of procurement and logistic management. In 1995, he graduated from 北京科技大學 (University of Science and Technology Beijing*), the PRC, and majored in ferrous metallurgy, and was recognised as a mechanical engineer by 廣州市人事局 (Guangzhou Municipality Bureau of Personnel*) in 2005. In 2007, Mr. Li was elected as the winner of 科學技術獎一等獎 (The First Prize of Science and Technology Awards*) by 廣州市人民政府 (Guangzhou Municipality People's Government*). Mr. Li has over 13 years of experience in the ferrous metallurgy industry.

Mr. HU Chung Ming (胡宗明), aged 37, joined our Group in September 2009 and acted as the chief financial officer and company secretary of our Company. Mr. Hu is responsible for overseeing our Group's financial planning and management. Mr. Hu has over 7 years of experience in finance control and accounting through his prior employments. He acquired auditing experience through his prior employment with an audit firm of international repute from January 1997 to March 2000. He also worked as the chief financial officer of China Flexible Packaging Holdings Limited, a company listed on the Singapore Stock Exchange, from February 2003 to June 2007, where he acquired experience in finance control, accounting and company secretarial matters. Mr. Hu graduated from the University of Queensland in Australia in December 1996 with a bachelor's degree in commerce and has been a certified practicing accountant of the Australian Society of Certified Public Accountants since March 2000. Mr. Hu has also been a fellow member of the Hong Kong Institute of Certified Public Accountants since 1 January 2010.

Ms. LIU Yonghe (劉咏荷), aged 40, joined PCKSP in June 1994 and had worked as accounting staff and financial manager. Ms. Liu has built up profound experience in financial management, accounting and auditing during her employment with PCKSP for over ten years. Ms. Liu is now the vice general manager and a director of PCKSP, responsible for cash flow and working capital control. She completed her professional accounting education at Lanzhou University of Finance and Economics, the PRC, in 1990 with a bachelor's degree in Economics and obtained the professional qualification as assistant accountant in 1991. Ms. Liu has over 19 years of experience in the accounting and finance industry. She was awarded as the "March 8th Flag Bearer" in 1999 and 2002, respectively, and the post she held was awarded as the *Women's Exemplary Post* by the Guangzhou Women's Union in March 2005. In October 2009, Ms. Liu obtained a master's degree in the Executive Master of Business Administration (EMBA) programme at the Asia International Open University (Macau).

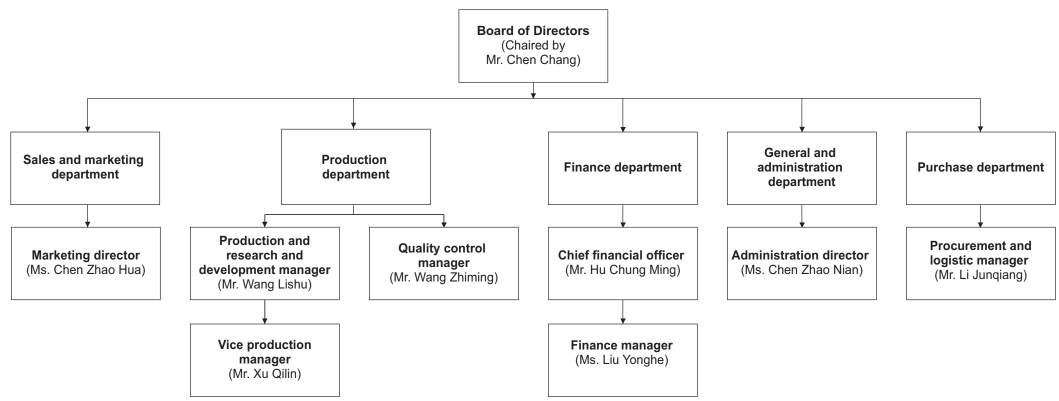
Mr. XU Qilin (徐啓林), aged 52, joined PCKSP in January 2001 and had worked as mechanical engineer and vice production manager. Prior to joining PCKSP, Mr. Xu worked at 荊州機床廠 (Jingzhou Machine Tool Factory*) for about 18 years during which he took up several posts, including vice department head of the craftsmanship department, department head of the technical department and branch factory director. With his experience in machinery construction, Mr. Xu received awards for his performance. With PCKSP, Mr. Xu has participated in the refinement project of the UOE production line, and also led the construction project of PCKSP in connection with the JCOE production line in Zhangjiagang, Jiangsu Province, the PRC in 2006 and 2007 as well as the construction project of the JCOE production line in Jiangyin, Jiangsu Province, the PRC in 2008 and 2009. Mr. Xu is now the vice general manager of PCKSP, responsible for production management. He completed his bachelor's degree in machinery manufacturing at Wuhan Polytechnic University, the PRC, in 1982 and became a senior engineer in March 1995. Mr. Xu has over 26 years of experience in machinery manufacturing. He was awarded as *Excellent Non-local Worker* in Panyu, Guangzhou in October 2006.

Mr. WANG Zhiming (王志明), aged 47, joined PCKSP in 1997 and had worked as quality engineer, quality manager and quality controller. Mr. Wang has participated in the construction project of the JCOE (Panyu) production line and UOE production line of PCKSP, and is primarily responsible for the manufacturing, installation and testing of quality control device for the production lines in PCKSP. In 2003, Mr. Wang was appointed as an assistant to the general manager of the PCKSP and has gained experience for the sales and marketing of PCKSP's products in the PRC. Mr. Wang is now the vice general manager of PCKSP, responsible for quality control and domestic sales. He completed his professional non-destructive testing education at Kunming University, the PRC, in 1987 and obtained a Grade III qualification in aerospace non-destructive ultrasonic testing in 1989. Mr. Wang was elected as the winner of 科學技術獎一等獎 (The First Prize of Science and Technology Awards*) by 廣州市人民政府 (Guangzhou Municipality People's

Government*) in 2007, and was awarded 科技進步獎三等獎 (The Third Prize of Technology Advancement Award*) by 中國石油和化學工業協會 (China Petroleum and Chemistry Industry Society*) in 2009. Mr. Wang has over 20 years of experience in non-destructive testing and quality control.

ORGANISATION STRUCTURE

The following diagram illustrates our organisation structure as at the Latest Practicable Date:



COMPANY SECRETARY

Mr. HU Chung Ming (胡宗明) is our company secretary and is an ordinary resident in Hong Kong as required under Rule 8.17 of the Listing Rules. For details of Mr. Hu's background, please refer to the paragraph headed "Senior management" above in this section.

AUDIT COMMITTEE

We established an audit committee on 23 January 2010 in compliance with Rules 3.21 and 3.23 of the Listing Rules. The audit committee consists of three independent non-executive Directors, namely Mr. Chen Ping, Mr. Liang Guo Yao and Mr. See Tak Wah. Mr. See Tak Wah is the chairman of the audit committee. The primary duties of the audit committee are to review and supervise the financial reporting process and the internal control procedures of our Group.

REMUNERATION COMMITTEE

We established a remuneration committee on 23 January 2010 in compliance with Appendix 14 to the Listing Rules. The remuneration committee consists of three members, namely Mr. Chen Ping, Mr. Liang Guo Yao and Mr. Chen Chang. Mr. Liang Guo Yao is the chairman of the remuneration committee. The primary functions of the remuneration committee are to make recommendations to the Board on the remuneration of our Directors and senior management and determine on behalf of the Board specific remuneration packages and conditions of employment for our Directors and senior management.

DIRECTORS' COMPENSATION

The aggregate amount of fees, salaries, pension scheme contributions, other allowances and benefits-in-kind paid by us to our Directors for each of the three years ended 31 December 2008 and the eight months ended 31 August 2009 was approximately RMB632,000, RMB981,000, RMB1,256,000 and RMB836,000, respectively.

Save as disclosed above, no other payments had been paid or are payable by our Company or any of our subsidiaries to our Directors during the Track Record Period.

DIRECTORS' INTERESTS

Save as disclosed above, each of our Directors (i) did not hold other positions in our Company or other members of our Group as at the Latest Practicable Date; (ii) had no other relationship with any Directors, senior management or substantial or controlling shareholders of our Company as at the Latest Practicable Date; and (iii) did not hold any other directorships in listed public companies in the three years prior to the Latest Practicable Date. As at the Latest Practicable Date, save as Mr. Chen's interests in the Shares which are disclosed in the section headed "Interest discloseable under the SFO and Substantial Shareholders" and the paragraph headed "Further information about Directors, management and staff and experts" in Appendix VI to this prospectus, each of our Directors did not have any interest in the Shares within the meaning of Part XV of the SFO.

Save as disclosed herein, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of the Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules as at the Latest Practicable Date.

STAFF

As at the Latest Practicable Date, we had a total of 1,816 full-time staff in the PRC and Hong Kong. The following sets forth the total number of our staff by functions:

	Total number
Management	24
Production and logistics	1,075
Sales and marketing	32
Finance	15
Quality control	372
Research and development	45
Procurement	29
General administration and others	224
Total	1,816

Relationships with our employees

We have not experienced any significant problems with our employees or disruptions to our operations due to labour disputes, nor have we experienced any difficulties in the recruitment and retention of experienced employees during the Track Record Period. We believe we have a good working relationship with our employees.

Our Directors believe that our professionals are significant to our success and sustainable development. In order to keep them abreast of the latest development of technology and management, we second our senior managers and research and development team members to further studies on a regular basis. Under the auspice of our Group, 20 executive staff obtained a diploma from the 卓越總裁領導力高級研修班 (Distinct Director Advanced Course*) of 中山大學 (Sun Yat-Sen University*) in 2009. Four executive staff passed the dissertation of master's degree in business administration in 亞洲(澳門)國際公開大學 (Asia International Open University (Macau)*) in October 2009 and graduated with a master's degree in business administration in December 2009. The other 16 executive staff are expected to submit their dissertations in early 2010 and are expected to graduate with a master's degree in business administration in 2010. On the other hand, seven technical staff are attending the engineering master class in 西安交通大學 (Xian Jiaotong University*). In 2008, our Group organised an adult workers education (university) course with 番禺區成人教育中心 (Panyu Adult Learning Centre*) and 韶關學院 (Shao Guan College*) and currently there are 53 staff members attending university level course in mechanics.

Compensation

Compensation of our employees includes salaries, contributions to housing fund and contributions to pension scheme. For each of the three years ended 31 December 2008 and the eight months ended 31 August 2009, our Group incurred staff costs (including Directors' remuneration) of approximately RMB21.3 million, RMB30.5 million, RMB72.6 million and RMB47.0 million, respectively, representing approximately 1.9%, 2.0%, 2.8% and 2.3%, respectively, of our Group's turnover.

Benefit schemes

We comply in all material aspects with all statutory requirements on retirement contribution in the jurisdictions where we operate. We have contributed retirement benefits for our staff in the PRC in accordance with the applicable PRC rules and regulations. We have enrolled on a mandatory provident fund scheme for our employees in Hong Kong in accordance with the applicable Hong Kong laws and regulations.

Share Option Scheme

We have conditionally adopted the Share Option Scheme whereby such selected classes of participants (as more particularly described in Appendix VI to this prospectus) may be granted options to subscribe for Shares at the discretion of the Board. The principal terms of the Share Option Scheme are summarised under "Share Option Scheme" in Appendix VI to this prospectus.

COMPLIANCE ADVISER

We will appoint ICBCI as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise us in the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated including shares issues and shares repurchases;
- where we propose to use the proceeds of the New Issue in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate, or other information in this prospectus; and
- where the Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our Shares.

The term of the appointment shall commence on the Listing Date and end on the date on which we distribute our annual report in respect of our financial results for the first full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

So far as is known to our Directors, immediately following completion of the Global Offering and the Capitalisation Issue (but without taking into account of any Shares which may be allotted and issued upon the exercise of Over-allotment Option and the options to be granted under the Share Option Scheme), the following persons will have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of our Group:

Name	**Company/Name of Group member**	**Capacity**	**Class and number of securities** *(Note 1)*	**Percentage of shareholding**
Bournam	Our Company	Beneficial owner *(Note 2)*	700,000,000 Shares (L)	70%
Mr. Chen	Our Company	Interest of a controlled corporation *(Note 2)*	700,000,000 Shares (L)	70%
Su Xing Fang	Our Company	Interest of spouse *(Note 3)*	700,000,000 Shares (L)	70%

Notes:

1. The letter "L" denotes the entity's long position in the Shares.

2. The entire issued share capital of Bournam is solely and beneficially owned by Mr. Chen. Mr. Chen is deemed under the SFO to be interested in 700,000,000 Shares in issue on the Listing Date, which are subject to any borrowing arrangement which may be effected by the Stock Borrowing Agreement.

3. Madam Su Xing Fang, the spouse of Mr. Chen, is also deemed to be interested in such 700,000,000 Shares in which Mr. Chen is deemed to be interested.

SHARE CAPITAL

The following table is prepared on the basis that the Global Offering becomes unconditional. This table does not take into account Shares which may be issued upon exercise of the Over-allotment Option and any options may be granted under the Share Option Scheme.

		HK$
Authorised share capital:		
10,000,000,000	Shares	1,000,000,000
Shares in issue or to be issued, paid-up or credited as fully paid:		
100,000,000	Shares in issue	10,000,000
650,000,000	Shares to be issued under the Capitalisation Issue	65,000,000
250,000,000	Shares to be issued pursuant to the Global Offering (before any exercise of the Over-allotment Option)	25,000,000
1,000,000,000	Shares *(Note)*	100,000,000

Note: If the Over-allotment Option is exercised in full, 45,000,000 additional Shares will be issued resulting in an aggregate of 1,045,000,000 Shares to be in issue.

Ranking

The New Shares will rank pari passu in all respects with all Shares in issue (other than participation in the Capitalisation Issue) and/or to be allotted and issued and will qualify for all dividends or other distributions hereafter declared, paid or made on our Shares.

General mandate given to our Directors to issue new Shares

Subject to the Global Offering becoming unconditional, a general unconditional mandate has been granted to our Directors to allot, issue and deal with Shares with an aggregate nominal value of not more than the sum of:

- 20% of the aggregate nominal amount of the Shares in issue immediately following completion of the Global Offering (excluding the Shares which may be issued pursuant to the exercise of the Over-allotment Option or the exercise of options that may be granted under the Share Option Scheme; and

- the aggregate nominal amount of the Share repurchased by our Company under the authority referred to under the paragraph headed "General mandate given to our Directors to repurchase our Shares" below in this section.

This mandate does not apply to situations where our Directors allot, issue or deal with the Shares under a rights issue, scrip dividend schemes or similar arrangements providing for the allotment and issue of the Shares in lieu of whole or part of a dividend in accordance with the Articles or pursuant to the exercise of any subscription or conversion rights attaching to any warrants or any securities which are convertible into Shares or in issue prior to the date of the passing of the relevant resolution, or the Shares to be issued upon the exercise of options to be granted under the Share Option Scheme.

This mandate will expire:

- at the end of our Company's next annual general meeting; or
- at the end of the period within which our Company is required by any applicable laws or the Articles to hold its next annual general meeting; or
- when varied or revoked by an ordinary resolution of the Shareholders in general meeting,

whichever is the earliest.

Particulars of this general mandate are set forth under "Resolutions in writing of the sole Shareholder passed on 23 January 2010" in Appendix VI to this prospectus.

General mandate given to our Directors to repurchase our Shares

Subject to the Global Offering becoming unconditional, a general unconditional mandate has been granted to our Directors to exercise all the powers of our Company to repurchase Shares with an aggregate nominal value of up to 10% of the aggregate nominal amount of our Shares in issue immediately following completion of Global Offering (excluding the Shares which may be issued pursuant to the exercise of the Over-allotment Option or the exercise of options that may be granted under the Share Option Scheme).

This mandate only relates to repurchases made on the Main Board, or on any other stock exchange on which our Shares are listed (and which are recognised by the SFC and the Stock Exchange for this purpose), and which are in accordance with the Listing Rules. A summary of the relevant Listing Rules are set forth under "Repurchase by the Company of its own securities" in Appendix VI to this prospectus.

This mandate will expire:

- at the end of our Company's next annual general meeting; or
- at the end of the period within which our Company is required by any applicable laws or the Articles to hold its next annual general meeting; or
- when varied or revoked by an ordinary resolution of the Shareholders in general meeting,

whichever is the earliest.

Particulars of this general mandate are set forth under "Resolutions in writing of the sole Shareholder passed on 23 January 2010" in Appendix VI to this prospectus.

SELECTED FINANCIAL INFORMATION

The following tables present selected financial information of our Group for the years/periods indicated. The selected audited combined statements of comprehensive income and combined cash flow statements of our Group for each of the three years ended 31 December 2008 and for the eight months ended 31 August 2009, and the selected audited combined statements of financial position of our Group as at 31 December 2006, 2007 and 2008 and 31 August 2009, have been extracted from the accountants' report on our Group, prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board throughout the Track Record Period, the text of which is set forth in Appendix I to this prospectus. For the basis of presentation of our Group's selected financial information, please refer to the accountants' report in Appendix I to this prospectus.

TRADING RECORD DURING THE TRACK RECORD PERIOD

The following table summarises our audited combined results for the Track Record Period which are extracted from the accountants' report, the text of which is set forth in Appendix I to this prospectus, and also illustrates certain items in our audited combined statement of comprehensive income expressed as a percentage of revenue for the Track Record Period:

	Year ended 31 December						Eight months ended 31 August			
	2006		2007		2008		2008		2009	
	RMB'000	*% of revenue*	*RMB'000*	*% of revenue*	*RMB'000*	*% of revenue*	*RMB'000* (Unaudited)	*% of revenue*	*RMB'000*	*% of revenue*
Revenue	1,099,741	100.0	1,458,028	100.0	2,624,639	100.0	1,683,314	100.0	2,021,303	100.0
Cost of sales	(919,865)	83.6	(1,191,977)	81.8	(2,087,689)	79.5	(1,292,521)	76.8	(1,573,330)	77.8
Gross profit	179,876	16.4	266,051	18.2	536,950	20.5	390,793	23.2	447,973	22.2
Other income and gains	2,496	0.2	3,253	0.2	6,430	0.2	2,923	0.2	31,287	1.5
Selling and distribution costs	(47,408)	4.3	(63,106)	4.3	(57,172)	2.2	(37,809)	2.2	(51,675)	2.6
Administrative expenses	(36,976)	3.4	(48,616)	3.3	(90,033)	3.4	(45,004)	2.7	(48,836)	2.4
Other expenses	(1,635)	0.1	(2,876)	0.2	(4,000)	0.2	(2,717)	0.2	(600)	0.0
Finance costs	(43,185)	3.9	(45,439)	3.1	(65,186)	2.5	(39,418)	2.3	(28,778)	1.4
Exchange loss, net	(1,544)	0.1	(10,692)	0.7	(9,021)	0.3	(10,528)	0.6	(661)	0.0
Share of profit of a jointly-controlled entity	2,475	0.2	–	0.0	–	0.0	–	0.0	–	0.0
Profit before tax	54,099	4.9	98,575	6.8	317,968	12.1	258,240	15.4	348,710	17.3
Tax	(16,102)	1.5	(28,224)	1.9	(42,504)	1.6	(43,911)	2.6	(47,547)	2.4
Profit for the year/period	37,997	3.5	70,351	4.8	275,464	10.5	214,329	12.8	301,163	14.9
Other comprehensive income:										
Exchange differences on translating foreign operations	1,424		2,897		1,925		742		(19)	
Other comprehensive income for the year/period, net of tax	1,424		2,897		1,925		742		(19)	
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD	39,421		73,248		277,389		215,071		301,144	

	Year ended 31 December						Eight months ended 31 August			
	2006		2007		2008		2008		2009	
	RMB'000	*% of revenue*	*RMB'000*	*% of revenue*	*RMB'000*	*% of revenue*	*RMB'000* (Unaudited)	*% of revenue*	*RMB'000*	*% of revenue*
Profit attributable to:										
Equity holders of the Company	37,997		70,351		275,464		214,329		301,163	
Total comprehensive income attributable to:										
Equity holders of the Company	39,421		73,248		277,389		215,071		301,144	

EXEMPTION FROM STRICT COMPLIANCE WITH SECTION 342(1) OF THE COMPANIES ORDINANCE AND WAIVER FROM RULE 4.04(1) OF THE LISTING RULES

Rule 4.04(1) of the Listing Rules requires that the accountants' report of our Company should include the combined results of our Group for each of the three financial years immediately preceding the issue of this prospectus, or such shorter period as may be acceptable to the Stock Exchange.

Similarly, section 342(1) of the Companies Ordinance stipulates that our Company should state the matters specified in Part I of the Third Schedule to the Companies Ordinance, and set out the reports specified in Part II of that Schedule. Paragraph 27 under Part I of the Third Schedule to the Companies Ordinance requires our Company to set out in this prospectus a statement as to the gross trading income or sales turnover (as may be appropriate) of our Company for the three financial years immediately preceding the issue of this prospectus. Paragraph 31 under Part II of the Third Schedule to the Companies Ordinances requires an inclusion of an accountants' report in respect of our Group's profits, losses, assets and liabilities for each of the three financial years, also immediately preceding the issue of this prospectus.

Pursuant to section 342A(1) of the Companies Ordinance, the SFC may issue, subject to such conditions (if any) as the SFC thinks fit, a certificate of exemption from compliance with any or all of the requirements of section 342(1) of the Companies Ordinance if, having regard to the circumstances, the SFC considers that the exemption will not prejudice the interest of the investing public and compliance with any or all of those requirements would be irrelevant or unduly burdensome, or is otherwise unnecessary or inappropriate.

An application has been made to the SFC for a certificate of exemption from strict compliance with paragraphs 27 and 31 of the Third Schedule to the Companies Ordinance in relation to the inclusion of the accountants' report for the full financial year ended 31 December 2009 in this prospectus because it would be unduly burdensome and would inevitably delay the timetable of the Listing significantly as the financial statements would then be required to be audited up to 31 December 2009. The reporting accountants of our Company would then have to undertake a considerable amount of work to prepare, update and finalise the accountants' report to cover such additional four-month period, which would not only involve additional costs but also require substantial work to be carried out for audit purposes. Our Company and its reporting accountants would not have sufficient time to complete the audited financial statements for the full financial year ended 31 December 2009 which would not be possible to be finalised within a short period of time. Our Directors consider that the benefits of such work to the existing and prospective Shareholders may not justify the additional work and expenses involved and the delay of the timetable for the Listing.

Our Company made the above application with the SFC accordingly. In this connection, a certificate of exemption has been granted by the SFC on the ground that strict compliance with paragraphs 27 and 31 of the Third Schedule to the Companies Ordinance would be unduly burdensome. Such exemption is granted on the conditions that (i) particulars of the exemption be set forth in this prospectus; and (ii) this prospectus is issued on or before 28 January 2010.

An application has also been made to the Stock Exchange for a waiver from strict compliance with Rule 4.04(1) of the Listing Rules and such waiver has been granted by the Stock Exchange on the conditions that (i) the Listing Date shall not be later than three months after the latest financial year-end of our Company, i.e. on or before 31 March 2010; (ii) Rule 8.06 of the Listing Rules is to be complied with, in that the latest financial period reported on by the reporting accountants of our Company as set out in the accountants' report in Appendix I to this prospectus shall not end more than six months before the date of this prospectus; and (iii) the grant of a certificate of exemption from similar requirements under paragraphs 27 and 31 of the Third Schedule to the Companies Ordinance by the SFC (which certificate has already been granted as set out in the immediately preceding paragraph).

Our Directors are of the view that all information that is necessary for the public to make an informed assessment of the financial position of our Group has been included in this prospectus and that an exemption from compliance with the above accounting period requirement would not prejudice the interests of the investing public. Our Directors confirm that, based on the discussion among the management and due diligence work conducted so far which our Directors consider appropriate to ensure that up to the date of this prospectus, there have been no material adverse changes in the financial or trading position and operations of our Group since 31 August 2009 and that there is no event which may materially affect the information as contained in the accountants' report of our Group, as set out in Appendix I to this prospectus, and all financial information contained in other parts of this prospectus.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial conditions and results of operations should be read in conjunction with our audited combined financial information as at and for each of the three years ended 31 December 2008 and the eight months ended 31 August 2009, including the accompanying notes thereto, the text of which is set forth in the accountants' report in Appendix I to this prospectus. The following discussion contains forward-looking statements that involve risks and uncertainties. Our future results could differ materially from those stated in any forward-looking statements and information contained in this section and this prospectus. Factors that could cause or contribute to such differences include those discussed in the section headed "Risk factors" in this prospectus.

Overview

We were the largest steel pipe manufacturer in the PRC in terms of production volume of LSAW steel pipes in each of the three years ended 31 December 2009 as confirmed by CSPA and we are a forerunner in terms of the manufacture of LSAW steel pipes in the PRC as, according to CSPA and TGRC, our JCOE production line located in Panyu, Guangdong Province, the PRC was the first LSAW steel pipes production line in the PRC and our UOE production line was also the first LSAW steel pipes production line using UOE production method in the PRC. Moreover, we are also capable of producing LSAW steel pipes with the largest outside diameter in the PRC as confirmed by CSPA. According to TGRC, we are one of the four LSAW steel pipes manufacturers recognised to have the capabilities to produce LSAW steel pipes that meet the X80 standard that are considered suitable for application in major national pipeline projects in the PRC. Since our Group's establishment in 1993, we have been focusing on the production of high quality longitudinal welded steel pipes and have gained sound market reputation manifested by the accreditations awarded to us in relation to the quality and market acceptance of our steel pipe products marketed under the brand name "PCK" throughout the years. Our steel pipe products are highly regarded by domestic and international customers with particular reputation on distinguished quality and services.

Our business model

We operate our business under a project-originated model through which the sales of our steel pipe products depend largely on the locations of our customers, and/or their end customers, as well as the locations of global pipeline construction projects, and our Group derived a high proportion of our revenue from our major customers in the PRC and a number of customers in over 50 overseas countries and regions during the Track Record Period, which customers base varies from year to year. Our varying customer base results in differing requirements or specifications for our steel pipe products designated by our customers and therefore the application of different processing know-how and technique in the production of the steel pipe products, which are customised for the relevant customer's projects. In addition, we supply our customised steel pipe products to our customers in such amount pursuant to the sales orders or contracts placed by our customers, which amount, as our Directors believe, will in general align with the pre-determined amount required by the relevant customer for its projects. After the signing of the sales contracts with our customers or successfully obtained a tender and within the validity period of the relevant raw material quotations, we will enter into a back-to-back purchase agreement with our suppliers to purchase the quantity of raw materials required in the corresponding sales contracts. As such, this made-to-order operational pattern could minimise our exposure to the risk of inventory accumulation. For details of our Group's sales and marketing activities and our customers, please refer to the paragraphs headed "Sales and marketing" and "Customers" in the section headed "Business" in this prospectus.

Moreover, our products are also used for infrastructural purposes, such as water, irrigation and sanitation pipes, steel tubular piles or towers, hollow structural sections for buildings, bridges and stadiums, and structural and mechanical pipes in marine engineering projects. We have entered into a framework agreement dated 14 April 2009 in relation to the provision of approximately 100,000 tonnes of longitudinal welded steel pipes for The Huainan – Shanghai 1000KV transmission and transformation project under the project of "Eastward Power Transmission from Anhui" with a total contract sum of approximately RMB500 million. This project is a long-distance power grid construction project in the PRC and also China's first 1000KV grade double-circuit extra high voltage transmission project.

As our steel pipe products, especially LSAW steel pipes, are mainly used in pipeline and infrastructure projects worldwide, our Directors believe that any quality failure in the steel pipes used in such projects might potentially bring disastrous consequences to the safety and well being of the public at large and hence the tolerance level for quality failure of steel pipes to be used in infrastructure project is extremely low. Therefore, the manufacturing of our steel pipes that are suitable for use in global pipeline and infrastructure projects requires advance production technology and stringent quality control in order to meet the stringent international quality standard. Given the above, our Directors believe that the consideration of our product quality, track record and market reputation prevail over that of the price of our steel pipe products when our customers or potential customers are to place orders for our steel pipe products and thus price sensitivity of our LSAW steel pipes are relatively low.

Taking into consideration our "made-to-order" business model, i.e., we produce steel pipe products that are customised to meet our customers' specifications, and the high quality of our steel pipe products, our Directors consider that the various anti-dumping measures imposed by the United States and the EU in recent years did not cause any significant adverse impact to the demand for our steel pipe products and our operation as a whole.

Our products and operations

Our principal line of business is the manufacture and sale of longitudinal welded steel pipes. At the same time, in order to satisfy customers with specific requirements on raw materials for their products, we also provide steel pipe manufacturing services whereby such customers provide us with principal raw materials, namely, steel coils and steel plates, for our further processing of the same into steel pipes. Moreover, we provide ancillary products and services such as coating and fittings to our customers.

Our steel pipe products have a wide scope of applications (depending on the respective outside diameter and thickness) and a majority of them are sold to enterprises in the oil, petrochemicals and natural gas industry for use as pipelines for transmission of oil, petrochemicals, natural gas, city gas and coal slurry, or as casing pipes for oil wells. Domestically, a significant portion of our LSAW steel pipes and ERW steel pipes are sold to customers in the oil and gas industries in the PRC and CNPC, CNOOC and Sinopec are our major domestic customers. For each of the three years ended 31 December 2008 and the eight months ended 31 August 2009, our sales to CNPC (as a group) amounted to approximately RMB51.2 million, RMB195.8 million, RMB580.2 million and RMB475.0 million, respectively, and contributed to approximately 4.7%, 13.4%, 22.1% and 23.5%, respectively, of our total revenue; our sales to CNOOC (as a group) amounted to approximately RMB156.9 million, RMB176.3 million, RMB46.8 million and RMB78.4 million, respectively, and contributed to approximately 14.3%, 12.1%, 1.8% and 3.9%, respectively, of our total revenue; and sales to Sinopec (as a group) amounted to approximately RMB88.3 million, RMB104.3 million, RMB220.6 million and RMB96.1 million, respectively, and contributed to approximately 8.0%, 7.2%, 8.4% and 4.8%, respectively, of our total revenue. For overseas markets, our steel pipe products are exported to customers in over 50 countries and regions in the Middle East, European Union, America, and Southeast and Central Asia, with the Middle East being a market of growing significance. We have built up a broad and geographically diversified customer base with more than 690 customers as at 31 August 2009, which comprise oil fields operators, oil companies, gas companies, petrochemical companies, trading firms and engineering firms worldwide.

As a result of the overall increasing trend of the oil and natural gas prices in the past few years, the industry experienced massive investments in exploration and drilling activities during the recent years. Moreover, the increasing demand for and consumption of natural gas worldwide boost the transportation infrastructure. Higher usage of natural gas requires better and more economical transportation medium thus stimulate the construction of more pipelines. The growth in the global demand for crude oil in recent years has led to a corresponding increase in capital expenditure on crude oil exploration, refining and transmission. In China, capital expenditure on oil and gas exploration and production has also risen steadily in recent years and capital expenditure of China's three main oil and gas conglomerates (CNPC, CNOOC and Sinopec) increased from approximately RMB85.7 billion in 2003 to approximately RMB252.1 billion in 2008, representing a CAGR of approximately 24.1%.

Our steel pipe products can be broadly categorised into LSAW steel pipes and ERW steel pipes. As at the Latest Practicable Date, we had three production lines for LSAW steel pipes and one production line for ERW steel pipes with an aggregate annual production capacity of 1,150,000 tonnes of longitudinal welded steel pipes. Our principal production base is located in Panyu, Guangdong Province, the PRC, where our major production facilities, including two production lines for LSAW steel pipes, one production line for ERW steel pipes and various ancillary production facilities, such as coatings and fittings, are housed. We also established one LSAW steel pipes production line in Jiangyin, Jiangsu Province, the PRC to meet the growing demand for such product in the PRC and other countries and regions in the Middle East, Europe, America, and Southeast and Central Asia.

We use JCOE or UOE production methods in the production of LSAW steel pipes. Among the three LSAW steel pipes production lines operated by our Group as at the Latest Practicable Date, two adopt the JCOE production method with an aggregate annual production capacity of 600,000 tonnes and one adopts the UOE production method with an annual production capacity of 400,000 tonnes. The ERW steel pipes production line has an annual production capacity of 150,000 tonnes.

Basis of preparation and presentation of financial information

The combined statements of comprehensive income, combined cash flow statements and combined statements of changes in equity of our Group for the Track Record Period have been prepared on a combined basis and include the financial information of the companies now comprising our Group as if the current group structure had been in existence throughout the Track Record Period, or since their respective dates of incorporation/establishment, whichever is the shorter period. The combined statements of financial position of our Group as at 31 December 2006, 2007 and 2008 and 31 August 2009 have been prepared to present the assets and liabilities of our Group as at those dates as if the current group structure had been in existence at those dates or since their respective dates of incorporation/establishment or acquisition where they did not exist at those dates.

Our Group has acquired an additional equity interest in Hualong Anti-Corrosion during the Track Record Period. The acquisition of the additional equity interest in Hualong Anti-Corrosion was accounted for using the purchase method.

Please refer to section 2 of the accountants' report in Appendix I to this prospectus for further details.

Critical accounting policies and estimates

Critical accounting policies and estimates are those accounting policies and estimates that involve significant judgements and uncertainties and potentially yield materially different results under different assumptions and conditions. Our accounting policies have a significant impact on our operating results. Estimates and judgements are based on historical experience, prevailing market conditions and rules and regulations, and are reviewed on a continual basis taking into account the changing environment and circumstances. The critical accounting policies adopted and estimates made in preparation of our financial statements are set out as follows:

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to our Group and when the revenue can be measured reliably. The following specific recognition criteria must also be met before the revenue is recognised. For sales of goods, revenue is recognised when the significant risks and rewards of ownership of the goods have been transferred to the buyer, provided that our Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold. For rendering of manufacturing services, revenue is recognised when the underlying services have been rendered. For interest income, revenue is recognised on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Depreciation, amortisation and valuation of property, plant and equipment

The recorded values of property, plant and equipment are affected by a number of management estimates, including estimated useful lives, residual values and impairment losses. Our Directors assess the need for any impairment write-down on a regular basis and consider if there is any information indicating the impairment loss. Such information may include a significant decrease in the market value or a significant deterioration of market conditions such that the carrying value of property, plant and equipment is lower than the present value of the estimated future cash flows which are discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets.

Inventories

Inventories are recorded at the lower of cost and net realisable value at the balance sheet date. Cost of finished goods and work in progress comprise direct materials and, where applicable, direct labour costs and appropriate proportion of overheads that have been incurred in bringing the inventories to their present location and condition. Cost of raw materials is calculated using the weighted average basis. Net realisable value is determined based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

In terms of provision for inventory, we will review any damaged, slow moving and obsolete inventory on a semi-annual basis. Any provision for impairment loss on inventory represents the differences between the costs and the net realisable values of the inventories, which would be recognised as expenses in the combined statements of comprehensive income during the respective financial year/period. We assessed the quality and provision for impairment loss on inventory on a discretionary basis. Inventory would be regarded as obsolete when they are considered not saleable or no longer suitable for production. Such provision policy for inventory was consistently applied during the Track Record Period and no provision for impairment loss on inventory has been provided as no obsolete inventory with material value was identified during the Track Record Period.

Trade receivables and impairment of trade receivables

Trade receivables are measured at initial recognition at fair value, and subsequently measured at amortised cost using effective interest method, less any allowance for impairment of these receivables. An impairment of trade receivables is provided when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that our Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced either directly or through the use of an allowance account.

Provision for warranty

Provision for warranty costs is based on historical trends of product defect rates and the expected material and labour costs for the provision of warranty services. In case of new products, expert opinions and industry data are also taken into consideration in estimating the product warranty accruals. Provision is only made where a warranty claim is probable. During the Track Record Period, no provision for warranty cost with material value was identified.

Major factors affecting our results of operations and financial conditions

We recorded satisfactory results during the Track Record Period and our Directors believe that we will continue to be one of the leading manufacturer of high quality longitudinal welded steel pipe products in the PRC. However, potential investors should be aware of the following factors which we consider may affect our results of operations and financial conditions:

Global demand for oil and natural gas

Our steel pipe products are mainly used for, amongst others, conveyance and distribution of oil and natural gas. The demand for our steel pipe products are largely driven by the pipeline construction activities in relation to the onshore and offshore transportation infrastructure of oil and gas worldwide which in turn boost by the increasing global demand for and consumption of oil and natural gas. In 2008, daily global consumption of oil amounted to approximately 84.5 million barrels, representing a slight decrease of approximately 0.6% from that of 2007, and global nature gas consumption amounted to approximately 3,018.7 billion cubic metres, representing an increase of approximately 2.5% from that of 2007. Compared to the global energy consumption market, the growth rate of oil and natural gas consumption in China in 2008 was significantly higher. In 2008, daily oil consumption in China amounted to approximately 8.0 million barrels and natural gas consumption amounted to approximately 80.7 billion cubic metres respectively, representing a growth rate of approximately 3.3% and 15.8% respectively from that for 2007, which were higher than the average growth rate of developed countries. Moreover, according to the forecast of EIA, oil demand in China will reach approximately 10.0 million barrels per day in 2015 and 15.3 million barrels per day in 2030, with an annual average growth rate of approximately 3.2% from 2006 to 2030 and natural gas demand in China will reach approximately 106.4 billion cubic metres in 2015 and 190.4 billion cubic metres in 2030, representing an average annual growth rate of approximately 5.2% from 2006 to 2030, both significantly higher than the forecasted global annual growth rate during the same period.

However, after the outbreak of the financial crisis in the third quarter of 2008, we observed a number of our customers cancelled or delayed the delivery of certain sales orders, which were originally scheduled to be delivered in 2008. Accordingly, the respective sales revenue associated with such cancelled or delayed orders could not be recognised in the books of our Group for the year ended 31 December 2008. Our Directors believe that the cancellation or delay of the delivery of these sales orders was due to the then procrastination of the oil and gas pipeline construction projects worldwide as a result of the global financial turmoil. Moreover, bad debt provision of our Group increased from approximately RMB82,000 for the year ended 31 December 2008 to approximately RMB4.1 million for the eight months ended 31 August 2009 due to the deterioration of the global economy and credit crunches at the end of 2008. Nevertheless, our Directors consider that the outbreak of financial turmoil in the third quarter of 2008 did not impose material impact on our Group's business operation and financial position as a whole given our Group continues to remain profitable in 2008 and 2009 with healthy growth and our Group did not record any substantial decrease in the market value of raw materials or of our Group's products which would result in a provision of inventories.

With a view to capturing the global market potential of LSAW steel pipes and ERW steel pipes driven by the increasing demand for and consumption of oil and gas worldwide, we have been expanding our production capacity over the years. Please see the paragraph headed "Expansion of our production capacity" below for details of the expansion of our production capacity.

Expansion of our production capacity

In response to the rapid industry development and growing market demand, we have been increasing our production capacity by constructing new production lines and modifying our existing production facilities in recent years. As at the Latest Practicable Date, we had a total of four production lines for the manufacturing of steel pipes with a total annual production capacity of 1,150,000 tonnes per annum. The following table sets out the details of our production facilities for the manufacturing of steel pipes during the Track Record Period and up to the Latest Practicable Date:

Production lines	**Commencement of commercial operation**	**Annual production capacities** *(tonne)*
LSAW steel pipes		
UOE production line (Panyu)	September 2002	400,000
JCOE production line (Panyu)	November 1998	300,000
JCOE production line (Zhangjiagang)(1)	March 2008	200,000
JCOE production line (Jiangyin)(2)	January 2010	300,000
ERW steel pipes		
ERW steel pipes production line (Panyu)	July 1995	150,000

Notes:

1 This JCOE production line (Zhangjiagang) was disposed of by our Group in August 2009 since the lessor of the factory complex (comprising a parcel of land with two major buildings and structures erected thereon) for such JCOE production line failed to provide valid title certificates or other relevant documents evidencing that the lessor has the requisite title or right to lease such property and therefore the lease agreement has not been duly registered in compliance with the PRC law.

2 A new JCOE steel pipes production line with annual production capacity of 300,000 tonnes. It commenced trial production in September 2009 and commercial production in January 2010.

3 In addition to the above existing production facilities, our Directors currently plan to expand our Group's production capacity by establishing a new production base in Lianyuangang, Jiangsu Province, the PRC and two additional LSAW steel pipes production lines using proceeds from the New Issue. Please refer to the section headed "Future plans and use of proceeds" in this prospectus for details of our production capacity expansion plans.

We believe that the increase in our production capacities in recent years has strengthened our market position and enhance our competitiveness, which has a positive effect on our profitability and business prospects. In September 2009, we established one LSAW steel pipes production line in Jiangyin, Jiangsu Province, the PRC which did not cause material changes in our Group's operational, trading and financial positions for the four months ended 31 December 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 of our Group, the balance of inventory as per the accounting records of this new production line was nil as at 31 December 2009;

(ii) according to the unaudited financial information of our Group, the addition to property, plant and equipment 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 of our Group, the operating costs incurred by this production line for the four months ended 31 December 2009 were approximately RMB877,000 which only represents approximately 0.2% of the estimated profit for the year ended 31 December 2009; and

(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 substantial extra costs for the four months ended 31 December 2009.

With a view to capturing the anticipated market opportunity from the development of the petroleum and natural gas industry as well as the prospective infrastructure market in the coming years, we plan to further expand our production capacity and enhance our efficiency by constructing new steel pipes production lines, complementary production facilities and modifying the existing production facilities. Please refer to the section headed "Future plans and use of proceeds" in this prospectus for the details of our production capacity expansion plans.

Product and sales mix of our Group

Our revenue is principally generated from the manufacture and sale of steel pipes and the provision of steel pipes manufacturing services. Steel pipes manufactured by us can be broadly categorised into LSAW steel pipes, ERW steel pipes and steel fittings, and our manufacturing services can also be broadly categorised into LSAW steel pipes manufacturing and ERW steel pipes manufacturing. The major difference between the pricing for the manufacture and sale of steel pipes and that for the provision of steel pipes manufacturing service lies in the cost of principal raw materials, which are steel plates and steel coils. Pricing for the manufacture and sale of steel pipes comprises, among other things, cost of principal raw materials, whereas pricing for steel pipes manufacturing services only includes manufacturing costs, such as labor and utilities. Therefore, the provision of steel pipes manufacturing services has a considerably lower cost of sales and a higher gross profit margin when compared to those of the manufacture and sale of steel pipes.

The following paragraphs set out a brief discussion on the revenue breakdown of our products and services, revenue breakdown by geographical areas, gross profit and gross profit margin breakdowns of our products and services, during the Track Record Period:

Revenue

	Year ended 31 December						Eight months ended 31 August			
	2006		2007		2008		2008		2009	
	RMB'000	*% of revenue*	*RMB'000*	*% of revenue*	*RMB'000*	*% of revenue*	*RMB'000* (Unaudited)	*% of revenue*	*RMB'000*	*% of revenue*
Manufacture and sale of steel pipes										
– LSAW steel pipes	800,234	72.8	1,190,292	81.6	2,213,126	84.3	1,426,750	84.8	1,270,428	62.9
– ERW steel pipes	211,947	19.3	174,290	12.0	201,180	7.7	78,636	4.7	633,111	31.3
Steel pipes manufacturing services										
– LSAW steel pipes	40,054	3.6	44,134	3.0	162,773	6.2	149,251	8.9	29,721	1.5
– ERW steel pipes	20,633	1.9	4,992	0.4	3,738	0.1	3,567	0.2	2,568	0.1
Others *(Note)*	26,873	2.4	44,320	3.0	43,822	1.7	25,110	1.4	85,475	4.2
Total revenue	1,099,741	100.0	1,458,028	100.0	2,624,639	100.0	1,683,314	100.0	2,021,303	100.0

Note: Others mainly include manufacturing and sale of steel fittings, trading of steel pipes and sale of scrap materials.

The revenue generated from our manufacture and sale and manufacturing services of LSAW steel pipes accounted for approximately 76.4%, 84.6%, 90.5% and 64.4% of our total revenue (i.e. represents a majority portion of our total revenue) for each of the three years ended 31 December 2008 and the eight months ended 31 August 2009, respectively.

During the Track Record Period, the revenue generated from the manufacture and sale of ERW steel pipes accounted for approximately 19.3%, 12.0%, 7.7% and 31.3%, respectively, of our total revenue. When compared to LSAW steel pipes, technical requirements for the production of ERW steel pipes are relatively lower and the product specifications of ERW steel pipes are, in general, more standardised. The market competition of ERW steel pipe products is thus very keen and the gross profit margin for such products is usually lower than that of LSAW steel pipe products. However, during the eight months ended 31 August 2009, the sales volume of our ERW steel pipes increased by approximately 351.5% and the average selling price increased by approximately 78.3% as compared to those for the eight months ended 31 August 2008, which is mainly attributable to our success in our bid to secure big orders for an aggregate of over 44,000 tonnes of ERW steel pipes from a major customer in the Sultanate of Oman, which our Group has two years' trade relationship with, in July 2008 with a higher average selling price as a result of the customer's special technical requirement for anti-corrosive ERW steel pipes. The revenue generated from the manufacture and sale of such ERW steel pipes to the major customer in the Sultanate of Oman was approximately RMB550.5 million for the eight months ended 31 August 2009 and all the ERW steel pipes in relation to such sales order were delivered during the eight months ended 31 August 2009. Following the completion of this sales order and up to the Latest Practicable Date, our Group did not secure any recurring sales order from that major customer in the Sultanate of Oman and there had been no further sales orders placed by that major customer in the Sultanate of Oman or other customers for similar ERW steel pipes. Due to our project-originated business model, our Directors are not in the position to comment on whether our Group will be able to obtain recurring or further sales orders for similar kind of ERW steel pipes from this major customer in the Sultanate of Oman in the future. If our Group cannot obtain the sales for similar kind of ERW steel pipes from such customer or other customers, our revenue from the manufacture and sale of ERW steel pipes may decrease significantly in the coming years and the profitability of our Group in the future may be adversely affected.

Despite these relatively lucrative orders for ERW steel pipes, our Directors remain convinced that the market potential for LSAW steel pipes is more prominent than that for ERW steel pipes as LSAW steel pipes can be used in more demanding applications, such as high pressure and deep water gas and oil transmission projects, due to their weld strength and quality. As such, we were more focused on the development of our LSAW steel pipe products during the Track Record Period and will continue to do so in the near future with a view to improving our overall gross profit margin while we will still consider to take up profitable sales orders for ERW steel pipes when we have spare production capacity and resources to accommodate those sales orders.

During the Track Record Period, a significant portion of our steel pipes was sold in the PRC and the remaining was sold to over 50 countries and regions in the Middle East, European Union, America, and Southeast and Central Asia, with the Middle East being a market of growing significance. The following table shows the breakdown of our revenue by geographical area for each of the three years ended 31 December 2008 and the eight months ended 31 August 2009:

Geographical revenue segment

	Year ended 31 December						**Eight months ended 31 August**	
	2006		**2007**		**2008**		**2009**	
	RMB'000	*% of revenue*	*RMB'000*	*% of revenue*	*RMB'000*	*% of revenue*	*RMB'000*	*% of revenue*
Mainland China	599,523	54.5	663,590	45.5	1,252,643	47.7	752,700	37.2
America *(Note)*	145,507	13.2	291,498	20.0	613,451	23.3	164,105	8.1
European Union	217,104	19.8	11,803	0.8	61,742	2.4	97,466	4.8
Middle East	13,699	1.2	225,085	15.4	325,639	12.4	718,947	35.6
Other Asian countries	80,351	7.3	155,485	10.7	290,856	11.1	185,033	9.2
Others	43,557	4.0	110,567	7.6	80,308	3.1	103,052	5.1
	1,099,741	100.0	1,458,028	100.0	2,624,639	100.0	2,021,303	100.0

Note: For the three years ended 31 December 2008 and for the eight months ended 31 August 2009, among our sales to America, our sales to the US accounted for approximately 9.7%, 9.7%, 8.2% and 2.3%, respectively, of our total revenue.

There were significant changes in our Group's product mix, sales mix and geographical revenue segment during the Track Record Period, which changes were to a large extent due to the different place of originations and product specifications of the sales contracts or orders which we secured worldwide and which are project based with no significant correlation with the historical trend of our sales. As such, our Directors believe that the significant changes in our results (and product mix, sales mix and geographical revenue segment) are rather erratic and should not be taken as a general characteristic of the industry in which we operate.

The following tables set out the breakdown of the gross profit and gross profit margin of our products and services during the Track Record Period:

Gross profit

	Year ended 31 December						Eight months ended 31 August			
	2006		2007		2008		2008		2009	
	RMB'000	*% of total gross profit*	*RMB'000*	*% of total gross profit*	*RMB'000*	*% of total gross profit*	*RMB'000* (Unaudited)	*% of total gross profit*	*RMB'000*	*% of total gross profit*
Manufacture and sale of steel pipes										
– LSAW steel pipes	134,504	74.8	198,958	74.8	412,574	76.8	268,947	68.8	203,313	45.4
– ERW steel pipes	19,478	10.8	28,796	10.8	20,375	3.8	1,257	0.3	203,448	45.4
Steel pipes manufacturing services										
– LSAW steel pipes	23,516	13.1	29,120	10.9	103,010	19.2	114,630	29.4	19,523	4.4
– ERW steel pipes	522	0.3	509	0.2	(469)	0.0	(209)	(0.1)	987	0.2
Others *(Note)*	1,856	1.0	8,668	3.3	1,460	0.2	6,168	1.6	20,702	4.6
Total gross profit	179,876	100.0	266,051	100.0	536,950	100.0	390,793	100.0	447,973	100.0

Note: Others mainly include manufacturing and sale of steel fittings, trading of steel pipes and sale of scrap materials.

Gross profit margin

	Year ended 31 December			Eight months ended 31 August	
	2006	2007	2008	2008	2009
	%	%	%	%	%
Manufacture and sale of steel pipes					
– LSAW steel pipes	16.8	16.7	18.6	18.9	16.0
– ERW steel pipes	9.2	16.5	10.1	1.6	32.1
Steel pipes manufacturing services					
– LSAW steel pipes	58.7	66.0	63.4	76.8	65.7
– ERW steel pipes	2.5	10.2	(12.5)	(5.9)	38.4
Others *(Note)*	6.9	19.6	3.3	24.6	24.2
Overall gross profit margin	16.4	18.2	20.5	23.2	22.2

Note: Others mainly include manufacturing and sale of steel fittings, trading of steel pipes and sale of scrap materials.

During the three years ended 31 December 2008, the gross profit margin for the manufacture and sale and manufacturing services of LSAW steel pipes are generally higher than that for the ERW steel pipes due to the higher requirements in production technology and equipment of LSAW steel pipes. However, the gross profit margin for the manufacture and sale of our ERW steel pipe products for the eight months ended 31 August 2009 was incidentally higher than that for our manufacture and sale of ERW steel pipes for each of the three years ended 31 December 2008 and for our LSAW steel pipe products during each of the three years ended 31 December 2008 and the eight months ended 31 August 2009, and this is mainly attributable to the fact that (i) we were able to charge a comparatively higher selling price since the major customer in the Sultanate of Oman mentioned under the paragraph headed "Revenue" above demanded a special technical requirement for anti-corrosive ERW steel pipes to be produced; and (ii) we were able to benefit from the drop in per unit fixed costs as a result of the significant increase in sales volume of ERW steel pipes during the eight months ended 31 August 2009. The gross profit and gross profit margin for the manufacture and sale of our ERW steel pipes sales order from that major customer in Sultanate of Oman was approximately RMB187.2 million and 34.0%, respectively, for the eight months ended 31 August 2009.

Moreover, provision of LSAW steel pipes manufacturing services has higher gross profit margin due to its sales and pricing nature as previously discussed. Given the above, any change in our product mix or sales mix from time to time will affect our overall gross profit margin. During the Track Record Period, our changes in sales mix and product mix were basically driven by the specifications of steel pipes required by our customers on a case-by-case basis. Nevertheless, our production facilities equipped with comprehensive production equipment that enable us to provide a wide range of steel pipe products and to cope with the ever-changing demand of our customers.

Cost of raw materials

The raw materials that we use for the manufacturing of our steel pipes include steel plates, steel coils and welding materials. For each of the three years ended 31 December 2008 and the eight months ended 31 August 2009, cost of such raw materials accounted for approximately 91.3%, 92.2%, 92.5% and 90.9%, respectively, of our total cost of sales. All of our customers have entered into purchase contracts with us on a project by project basis and the delivery period of such contracts usually lasts from several weeks to several months, and some contracts may last as long as over one year. As both product price and quantity are, in general, specified in the purchase contract, we need to set the product price with reference to the prevailing market prices of the raw materials at the time of entering into the purchase contract. As such, fluctuations in raw material prices have an effect on our profit margin. Nevertheless, in order to mitigate the impact of increase in raw material prices, since the first quarter of 2006, we have adopted the policy of entering into back-to-back purchase contract with our suppliers once sales contracts were entered into with our customers in order to fix the cost of raw materials with our suppliers in relation to specific sales contracts.

Level of income tax and preferential tax treatment

Prior to the Fifth Plenary Session of the Tenth National People's Congress on 16 March 2007 passing the new PRC EIT Law which became effective on 1 January 2008, the PRC subsidiaries of our Group, which were situated in a coastal economic open zone, were entitled to a preferential EIT rate of 27%.

However, after the implementation of the new PRC EIT Tax Law with effect from 1 January 2008, the standard rate of EIT on most domestic enterprises and foreign invested enterprises has been prescribed at 25% and enterprises which were established before 16 March 2007 and which had enjoyed a lower EIT rate according to the provisions of the tax laws and administrative regulations previously in force may continue to enjoy such preferential tax treatment for a period of five years following the effective date of the new PRC EIT Law (i.e. 1 January 2008), but the rate of EIT will progressively increase to 18%, 20%, 22%, 24% and 25% in 2008, 2009, 2010, 2011 and 2012, respectively. Nonetheless, pursuant to《國務院關於實施企業所得稅過渡優惠政策的通知》(Notice of the State Council on the implementation of transitional preferential policies in respect of the EIT*) promulgated on 26 December 2007 and took effect on 1 January 2008, each of the GPR Companies will continue to enjoy its preferential treatment of tax exemption and tax benefit up to the expiry of its preferential treatment term in 2012.

Anti-dumping and countervailing measures

We export an increasing volume of steel pipes during the Track Record Period. For each of the three years ended 31 December 2008 and the eight months ended 31 August 2009, exports sales accounted for approximately 45.5%, 54.5%, 52.3% and 62.8%, respectively, of our total revenue. Exports sales accounted for approximately 62.5% of our unaudited total revenue for the eleven months ended 30 November 2009. Due to heightened competition in international trade, foreign countries may from time to time impose anti-dumping or countervailing measures such as imposition of duties on any goods exported by the PRC (including our steel pipe products) so as to protect their own industries. Given our geographical presence in certain countries where anti-dumping and countervailing measures are adopted, we may face anti-dumping and countervailing measures that, among other things, impose duties on our exported products. For details of the anti-dumping measures imposed by the EU, and several anti-dumping and countervailing orders and investigations in relation to certain steel pipes and pipe fittings imposed by the United States, please refer to the paragraph headed "Change of rules and regulations, including anti-dumping and countervailing measures, by foreign countries may affect our exports sales into those countries." in the section headed "Risk factors", the paragraphs headed "Anti-dumping and countervailing duties in the United States" and "Anti-dumping duties in the EU" in the section headed "Industry overview" in this prospectus.

On 30 December 2009, the ITC determined in Investigation No.701-TA-463 that a US industry is materially injured or threatened with material injury by reason of imports of certain oil country tubular goods from China that the DOC determined are subsidised in the DOC Notice Number C-570-944. As a result of the ITC's affirmative determination, the DOC issued a countervailing duty order on imports of these products from China on 20 January 2010. Countervailing duty rates determined by the DOC range from 10.36% to 15.78%, while the applicable rate for companies not investigated by the DOC is 13.20%. A parallel anti-dumping proceeding is still pending at the DOC and the ITC with final disposition expected in May 2010. That proceeding may result in additional duties. For details, please refer to the paragraph headed "Anti-dumping and countervailing duties in the United States" in the section headed "Industry overview" in this prospectus.

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

Further, to the best knowledge of our Directors, under the anti-dumping rules and regulations of the EU and the United States, the PRC may be treated as a "non-market economy" and, as a result, may be subject to special rules in determining whether imports of products from the PRC constitute dumping and in determining anti-dumping duty rates. For details, please refer to the paragraph headed "Anti-dumping determination and "non-market economy"" in the section headed "Industry overview" in this prospectus.

Our Directors confirm that the unaudited closing inventory as at 31 December 2009 was mainly composed of (i) raw materials comprising mainly steel plates and steel coils, which were purchased under a back-to-back arrangement such that we would enter into purchase contract for our raw materials with the suppliers once the sales contracts of respective projects have been entered into by our Group with our customers; (ii) work-in-progress; and (iii) finished goods comprising steel pipes manufactured by our Group which have yet to be delivered to the respective customers as covered by the respective sales contracts. All the finished goods manufactured by our Group are "made-to-order" according to the specifications as stipulated in the respective sales contract entered into by our Group with the respective customers. For most of the domestic sales, our Group requests for prepayments from the customers, which are usually equivalent to approximately 30% of the total contract sum, upon entering into the sales contracts, with the remaining balance to be settled within the credit terms that our Group grant to the relevant customers. For most of the exports sales, letters of credit from our overseas customers will be issued to our Group pursuant to the settlement and credit terms prescribed in the sales contracts after the execution of the sales contracts. Only after the respective customer has paid the prepayment sum, or issued the letter of credit, to our Group will we commence to schedule the production of the respective steel pipes. Moreover, our Group did not experience any subsequent cancellation of the sales contracts nor significant selling-price adjustment to the sales contracts after the respective customer had paid the prepayment sum or issued the letter of credit to our Group during the Track Record Period and up to the Latest Practicable Date. Accordingly, our Directors are of the view that it is very unlikely that the net realisable value of the unaudited stock value of the inventory as at 31 December 2009 will drop substantially below the costs of the inventory, and hence it is unlikely that a material provision for impairment loss on the inventory is necessary to be recognised by our Group, even if the oil and gas steel pipe industry will indeed be adversely affected by the recent anti-dumping and countervailing measures imposed by the United States, the EU and certain other countries.

PCKSP, as a foreign investment enterprise of a production nature established in a coastal economic open zone, is entitled to a preferential income tax rate of 27% before 1 January 2008. PCKSP, as an advanced and new technology enterprise eligible for key support from the PRC qualified on 16 December 2008, shall be entitled to a reduced rate of 15% from 1 January 2008 to 31 December 2010. If it cannot be verified to be "an advanced and new technology enterprise eligible for key support from the PRC", it will be subject to the rate of 25% from 1 January 2011 onwards.

GPR Petrol-Fittings, GPR Casing Pipe, GPR Coating, and GPR Steel Pipe, which were established in 2006, are entitled to a preferential income tax rate of 27%. In accordance with the relevant income tax laws and regulations of the PRC for manufacturing enterprises, the above companies are exempted from corporate income tax for two years commencing from 2008, and are entitled to a 50% tax exemption for the next three years. After the implementation of the New EIT Law from 1 January 2008, the above companies will continue to enjoy the preferential income tax rate up to the end of the transitional period, after which, the 25% standard rate applies.

Hualong Anti-Corrosion, as a Sino-foreign joint venture enterprise of a production nature established in a coastal economic open zone, is entitled to a preferential income tax rate of 24%; and its local income tax rate is 3%. In accordance with the relevant income tax laws and regulations of the PRC for manufacturing enterprises, Hualong Anti-Corrosion was exempted from corporate income tax for two years commencing from its first year with assessable profits after deducting the tax losses brought forward, and was entitled to a 50% tax exemption for the next three years. The year ended 31 December 2001 was Hualong Anti-Corrosion's first profit-making year and was the first year of its tax holiday. Accordingly, Hualong Anti-Corrosion was subject to corporate income tax at a rate of 12% for the year ended 31 December 2005 and 27% for the two years ended 31 December 2006 and 2007. From 1 January 2008 onwards, Hualong Anti-Corrosion is subject to the income tax rate of 25%.

If the PRC authorities further amend or promulgate new laws or regulations which prescribe a higher standard EIT rate or introduce any change to the tax preferential treatment which our subsidiaries in the PRC currently enjoy, our profit after taxation and financial position may be materially and adversely affected.

Interest-bearing loans and finance costs

During the Track Record Period, we financed our daily operations, purchase of raw materials and acquisition of property, plant and equipment mainly by internally generated cash as well as interest-bearing loans. As at 31 December 2006, 2007 and 2008 and 31 August 2009, our outstanding balance of interest-bearing bank loans and government loans amounted to approximately RMB690.5 million, RMB1,084.5 million, RMB748.7 million and RMB727.7 million, respectively. As commercial banks in the PRC determine the interest rates on their loans which are dominated in RMB with reference to the benchmark lending rates published by PBOC, we also have interest-bearing bank loans denominated in US dollar during the Track Record Period with interest rates benchmarked to the London interbank offered rates for US dollar loans. For each of the three years ended 31 December 2008 and the eight months ended 31 August 2009, our finance costs were approximately RMB43.2 million, RMB45.4 million, RMB65.2 million and RMB28.8 million, respectively, which represented approximately 3.9%, 3.1%, 2.5% and 2.3%, respectively, of our Group's revenue for the respective year/period. As at the Latest Practicable Date, we had approximately RMB1,595.7 million unutilised banking facilities available to us. If we decide to borrow additional interest-bearing bank loans in the future or should there be any increase in the above-mentioned benchmark lending rates, our finance costs will increase and it would negatively affect our Group's profitability.

Period-to-period analysis of our Group's trading record

Eight months ended 31 August 2009 compared to eight months ended 31 August 2008

Revenue

Our revenue mainly represents the net invoiced value derived from the manufacturing and sales of LSAW steel pipes and ERW steel pipes, and from the rendering of LSAW steel pipes and ERW steel pipes manufacturing services. Our Group also generates revenue from the sale of scrap materials and trading of steel pipes.

Our revenue increased by approximately 20.1% from approximately RMB1,683.3 million for the eight months ended 31 August 2008 to approximately RMB2,021.3 million for the eight months ended 31 August 2009. The increase is mainly attributable to the net effect of (i) the increase in the sales volume and the average selling price of our manufacturing and sales of ERW steel pipes; (ii) the increase in the sales of other items; (iii) the decrease in revenue from the manufacture and sales of LSAW steel pipes; and (iv) the decrease in the sales volume of our manufacturing services of LSAW steel pipes.

The sales volume of our manufacturing and sales of ERW steel pipes increased by approximately 351.5% from approximately 12,808 tonnes for the eight months ended 31 August 2008 to approximately 57,824 tonnes for the eight month ended 31 August 2009. In addition, the average selling price of our ERW steel pipes increased by approximately 78.3% from approximately RMB6,140 per tonne for the eight months ended 31 August 2008 to approximately RMB10,949 per tonne for the eight months ended 31 August 2009. Such increases are mainly attributable to our success in our bid to secure big orders for over 44,000 tonnes of ERW steel pipes from a major customer in the Sultanate of Oman in July 2008, and the high selling price charged on these orders as a result of the customer's special technical requirement for anti-corrosive ERW steel pipes. The ERW steel pipes were delivered in several shipments to that customer throughout 2009, with the largest delivery made in April and May 2009. Sales orders from this major customer in the Sultanate of Oman were completed during the eight months ended 31 August 2009. Following the completion of this sales order and up to the Latest Practicable Date, there had been no further sales orders placed by that major customer in the Sultanate of Oman or other customers for similar ERW steel pipes. There was no sale to this customer in the Sultanate of Oman in 2008, while such sales amount and volumes amounted to approximately RMB550.5 million and over 44,000 tonnes, respectively, for the eight months ended 31 August 2009. This customer had not made any purchases from our Group during the Track Record Period apart from the above-mentioned orders, which were concluded in 2008 and were the first batch from it. As at the Latest Practicable Date, there was no other order from this customer. To the best knowledge of our Directors, the end customer of such kind of ERW steel pipes is currently undergoing a pipeline projects which may require ERW steel pipes of this kind. As such, our Group will proactively participate in the other potential future biddings launched by this end customer and our Directors believe that, given the successful record of securing the bid in 2008, our Group has advantages in securing more bids from this end customer in the future.

The sales of other items, which include scrap materials and trading of steel pipes, increased by approximately 240.6% from approximately RMB25.1 million for the eight months ended 31 August 2008 to approximately RMB85.5 million for the eight months ended 31 August 2009. Such increase is principally driven by the increase in trading of steel pipe of over RMB60.0 million to a customer in Saudi Arabia during the eight months ended 31 August 2009.

The decrease in revenue from the manufacture and sales of LSAW steel pipes from approximately RMB1,426.8 million for the eight months ended 31 August 2008 to approximately RMB1,270.4 million for the eight months ended 31 August 2009 is mainly attributable to the completion of the manufacture and sale of LSAW steel pipes orders from our overseas customers, such as a customer from Malaysia, during the year 2008.

The sales volume of our manufacturing services of LSAW steel pipes decreased by approximately 87.3% from approximately 112,560 tonnes for the eight months ended 31 August 2008 to approximately 16,300 tonnes for the eight months ended 31 August 2009. Such decrease is primarily attributable to the completion of LSAW steel pipes manufacturing services orders from one of our major domestic customers in 2008 in relation to a gas pipeline project near Sichuan Province, the PRC.

Cost of sales

Our cost of sales mainly represents the cost of direct materials, fuel, utilities depreciation and maintenance, research and development, staff costs and repair charges. Among all these costs, the cost of direct materials account for over 90% of the total cost of sales of our Group.

Our cost of sales increased by approximately 21.7% from approximately RMB1,292.5 million for the eight months ended 31 August 2008 to approximately RMB1,573.3 million for the eight months ended 31 August 2009. The increase is in line with the increase in the sales volume of our manufacturing and sales of ERW steel pipes and scrap materials as discussed under the paragraph headed "Revenue" above.

Gross profit and gross profit margin

Our gross profit increased by approximately 14.6% from approximately RMB390.8 million for the eight months ended 31 August 2008 to approximately RMB448.0 million for the eight months ended 31 August 2009, while our gross profit margin decreased slightly from approximately 23.2% for the eight months ended 31 August 2008 to approximately 22.2% for the eight months ended 31 August 2009. The increase in our gross profit is mainly attributable to the significant increase in revenue brought about by our success in our bid to secure significant orders with quantities of over 44,000 tonnes for the manufacture and sales of ERW steel pipes from a major customer in the Sultanate of Oman, and which sales accounted for approximately 27.2% of our total sales for the eight months ended 31 August 2009.

Our gross profit margin for our manufacture and sales of LSAW steel pipes decreased from approximately 18.2% for the eight months ended 31 August 2008 to approximately 16.0% for the eight months ended 31 August 2009. The decrease is primarily attributable to the increase in the per unit direct material costs of LSAW steel pipes by approximately 12.7% from approximately RMB6,393.0 per tonne for the eight months ended 31 August 2008 to approximately RMB7,202.2 per tonne for the eight months ended 31 August 2009 as a result of the special requirement by one of our major domestic customers, sales to whom amounted to approximately 28.3% of our total manufacture and sales of LSAW steel pipes for the eight months ended 31 August 2009, on using high quality raw materials for the manufacture and sales of LSAW steel pipes, whereas raw materials of varying quality were used for the manufacturing and sales of LSAW steel pipes for the eight months ended 31 August 2008. As such, the direct material cost per unit of LSAW steel pipes increased during the eight months ended 31 August 2009.

Our gross profit margin for manufacturing services of LSAW steel pipes decreased from approximately 74.9% for the eight months ended 31 August 2008 to approximately 63.5% for the eight months ended 31 August 2009. Such decrease is mainly due to the drop in sales quantities of our LSAW steel pipes by 85.6% from approximately 112,421 tonnes for the eight months ended 31 August 2008 to approximately 16,256 tonnes for the eight months ended 31 August 2009, owing to the worldwide financial crisis. The decrease in sales led to the increase in per unit overheads required for the provision of manufacturing services of LSAW steel pipes.

Our gross profit margin for the manufacture and sale of ERW steel pipes significantly increased from approximately 1.6% for the eight months ended 31 August 2008 to approximately 32.1% for the eight months ended 31 August 2009. The increase is mainly attributable to our success in our bid to secure significant orders with quantities of over 44,000 tonnes of ERW steel pipes from a major customer in the Sultanate of Oman in July 2008, with which the relevant revenue was recognised in 2009 when those steel pipes were actually delivered to that customer and which we were able to (i) charge a comparatively higher selling price since the customer placed a special technical requirement for anti-corrosive ERW steel pipes to be produced; and (ii) benefit from the drop in per unit fixed costs as a result of the significant increase in sales volume of ERW steel pipes during the eight months ended 31 August 2009.

For the manufacturing services of ERW steel pipes, we improve from the gross loss of approximately 5.9% for the eight months ended 31 August 2008 to the gross profit of approximately 38.4% for the eight months ended 31 August 2009. Such improvement is mainly attributable to the decrease in the per overhead cost of our manufacturing services of ERW steel pipes due to the increase in the total amount of the manufacturing and sales of ERW steel pipes and manufacturing services of ERW steel pipes from approximately 22,511 tonnes for the eight months ended 31 August 2008 to approximately 635,679 tonnes for the eight months ended 31 August 2009 as a result of the significant increase in our sales orders from a major customer in the Sultanate of Oman as discussed under the paragraph headed "Revenue" above. As such, our service fee for manufacturing services increased by approximately 50.0% from approximately RMB0.4 million per tonne for the eight months ended 31 August 2008 to approximately RMB0.6 million per tonne for the eight months ended 31 August 2009.

Other income and gains

	Eight months ended 31 August	
	2008	**2009**
	RMB'000	*RMB'000*
Bank interest income	1,629	3,294
Subsidy income from the PRC government	1,104	759
Gain on disposal of items of property, plant and equipment	–	26,563
Compensation	162	663
Others	28	8
	2,923	31,287

Our other income and gains mainly consist of bank interest income, subsidy income from the PRC government, gain on disposal of items of property, plant and equipment and compensation. Subsidy income from the PRC government mainly represents non-recurring subsidies granted by the PRC provincial and local government authorities to our Group as an encouragement to our technological innovation, corporate achievements and economic contribution to the Panyu district. Compensation represents compensation income from insurance companies and fines charged on our suppliers for flaws in materials supplied during the Track Record Period.

Our other income and gains increased by approximately 979.3% from approximately RMB2.9 million for the eight months ended 31 August 2008 to approximately RMB31.3 million for the eight months ended 31 August 2009. Such increase is mainly attributable to (i) the increase in bank interest income from approximately RMB1.6 million for the eight months ended 31 August 2008 to approximately RMB3.3 million for the eight months ended 31 August 2009, which was attributable to the increase in the average bank balances for the eight months ended 31 August 2009; and (ii) the gain on disposal of items of property, plant and equipment of approximately RMB26.6 million during the eight months ended 31 August 2009 which mainly represents the gain on the disposal of a production line in Zhangjiagang, Jiangsu Province, the PRC which forms part of our Group's development and expansion plan. The production line was disposed of to an Independent Third Party at the consideration of approximately RMB119.2 million which is determined after arm's length negotiation. For details of the disposal of the production line in Zhanjiagang, Jiangsu Province, the PRC, please refer to the section headed "Corporate history, development and Reorganisation" and the paragraph headed "Production" in the section headed "Business" in this prospectus.

Selling and distribution costs

Our selling and distribution costs principally consist of expenses on transportation, commissions, advertising, salary and staff welfare, entertainment, custom clearance, consumables and travelling.

Our selling and distribution costs increased by approximately 36.8% from approximately RMB37.8 million for the eight months ended 31 August 2008 to approximately RMB51.7 million for the eight months ended 31 August 2009. Such increase is mainly attributable to the net effect of (i) the increase in commissions paid to the sales agents by 171.3% from approximately RMB12.2 million for the eight months ended 31 August 2008 to approximately RMB33.1 million for the eight months ended 31 August 2009, which increase was resulted from the commission paid to a bidding agent, an Independent Third Party, who assisted us in our successful bidding of a contract of over 44,000 tonnes of ERW steel pipes from a customer in the Sultanate of Oman as discussed in the sub-paragraph headed "Revenue" in this paragraph above, and such commission amounted to 5% of the total contract value of that project and such 5% commission was determined after arm's length negotiation between our Group and the bidding agent. Such commission falls within the normal range of sales commission offered by our Group, which is 3% to 5% of the contract value for the relevant projects secured. Our Directors consider it reasonable to offer that bidding agent a commission which falls on the high end of the range since the bidding agent had been working closely with our Group in such projects for more than two years before we eventually secured the bid, and it has facilitated our Group in being recognised as one of the approved vendors of the major customer in the Sultanate of Oman; (ii) the drop in transportation costs by approximately 55.1% from approximately RMB16.7 million for the eight months ended 31 August 2008 to approximately RMB7.5 million for the eight months ended 31 August 2009 since a number of PRC customers who required us to bear the transportation costs on their part during the eight months ended 31 August 2008 did not enter into transaction with us during the eight months ended 31 August 2009, and some PRC customers also agreed to take up the transportation costs as a result of our successful negotiation; and (iii) the decrease in the amount of consumables by 53.3% from approximately RMB1.5 million for the eight months ended 31 August 2008 to approximately RMB0.7 million for the eight months ended 31 August 2009 as a result of our Group's cost control on office consumables since the beginning of 2009. In addition, as a percentage of revenue, our selling and distribution costs increased from approximately 2.2% for the eight months ended 31 August 2008 to approximately 2.6% for the eight months ended 31 August 2009. The increase was mainly attributable to the increased commission paid to our sales agents as discussed above.

Administrative expenses

Administrative expenses mainly represent administrative staff salaries, office expenses, travelling expenses, entertainment, staff social insurance, staff welfare, bank charges, certain PRC tax payments, amortisation of prepaid land lease payments, professional fees and provision for bad debts.

Our administrative expenses increased by approximately 8.4% from approximately RMB45.0 million for the eight months ended 31 August 2008 to approximately RMB48.8 million for the eight months ended 31 August 2009. The increase was mainly due to (i) the increase in salaries paid to our administrative staff by 23.7% from approximately RMB9.7 million for the eight months ended 31 August 2008 to approximately RMB12.0 million for the eight months ended 31 August 2009 as a result of the increase in the average monthly headcount of administrative staff from approximately 169 for the eight months ended 31 August 2008 to approximately 212 for the eight months ended 31 August 2009 due to the operation of our Group's new subsidiary in Lianyungang, Jiangsu Province, the PRC; (ii) the increase in bad debt provision by 540.0% from approximately RMB0.5 million for the eight months ended 31 August 2008 to approximately RMB3.2 million for the eight months ended 31 August 2009. During the eight months ended 31 August 2009, our management was notified that certain of our overseas customers have cash flow problem and could not settle their debts on time as a result of the global economic crisis and thus, bad debt provision was made accordingly; and (iii) the drop of travelling expenses by approximately 16.2% from approximately RMB3.6 million for the eight months ended 31 August 2008 to approximately RMB3.1 million for the eight months ended 31 August 2009 due to our Group's stringent cost control policy.

Finance costs

During the Track Record Period, finance costs represented interest expenses arising from interest-bearing bank loans borrowed for the facilitation of the daily operation of our Group. The finance costs were determined by the average loan balance and effective interest rate during the respective year/period.

Our finance costs decreased by approximately 26.9% from approximately RMB39.4 million for the eight months ended 31 August 2008 to approximately RMB28.8 million for the eight months ended 31 August 2009. The decrease is mainly attributable to the drop in the effective interest rate charged by banks for our short-term interest-bearing bank loans by approximately 2.9% from approximately 6.9% for the eight months ended 31 August 2008 to approximately 4.0% for the eight months ended 31 August 2009, since a number of the banks in the PRC lowered their interest rates on bank loans in view of the global economic turmoil in 2009.

Exchange loss, net

Our exchange gain/loss mainly represents the exchange difference derived from the settlement of our trade receivables dominated in foreign currency during the Track Record Period.

We had a small amount of exchange loss of approximately RMB0.7 million for the eight months ended 31 August 2009, as compared to that of approximately RMB10.5 million for the eight months ended 31 August 2008. Such drop in the exchange loss is noted since the Renminbi exchange rate against the US dollars remained relatively stable during 2009 when compared with that for the year 2008, and therefore the effect of change in exchange rates on our overseas sales revenue was not significant.

Income tax expenses

Income tax expenses mainly represent the income tax charged on our Group's PRC subsidiaries and the related deferred tax expenses.

Our income tax expenses increased by approximately 8.2% from approximately RMB43.9 million for the eight months ended 31 August 2008 to approximately RMB47.5 million for the eight months ended 31 August 2009. The increase is primarily attributable to the increase in our profit before tax for the same period. Our effective tax rate for the eight months ended 31 August 2009 was approximately 13.6%, as compared to approximately 17.0% for the eight months ended 31 August 2008. The decrease in our effective tax rate is mainly resulted from the exemption from EIT of the GPR Companies for the two years commencing from 2008 and since there was an increase in profits of the GRP Companies, which profits contributed to around 11.5% of our Group's profit before tax, for the eight months ended 31 August 2009, therefore our Group's effective tax rate for the same period dropped accordingly.

Profit for the period and net profit margin

As a combined result of the factors discussed above, our net profit for the eight months ended 31 August 2009 increased by approximately 40.6% from approximately RMB214.3 million for the eight months ended 31 August 2008 to approximately RMB301.2 million for the eight months ended 31 August 2009. In addition, our net profit margin increased from approximately 12.7% for the eight months ended 31 August 2008 to approximately 14.9% for the eight months ended 31 August 2009.

Year-to-year analysis of our Group's trading record

Year ended 31 December 2008 compared to year ended 31 December 2007

Revenue

Our revenue increased by approximately 80.0% from approximately RMB1,458.0 million for the year ended 31 December 2007 to approximately RMB2,624.6 million for the year ended 31 December 2008. The increase was mainly attributable to the combined effect of (i) the increase in the overall sales volume of our steel pipes; and (ii) the increase in the average selling price for the manufacture and sale of our LSAW steel pipes as driven by the increase in raw material prices.

The sales volume of our manufacture and sale of steel pipes for the year ended 31 December 2008 was approximately 283,200 tonnes, representing an increase of approximately 44.2% as compared to approximately 196,400 tonnes for the year ended 31 December 2007. Such growth was primarily attributable to (i) the sale of LSAW steel pipes to a new domestic customer in relation to a natural gas project and the revenue generated from which during the year ended 31 December 2008 amounted to approximately RMB344.7 million or 13.1% to our total revenue; (ii) the increase in our overseas sales which included a sales order for our LSAW steel pipes from a new customer in Chile during the first half of 2008 and a number of sales orders from our customers in Malaysia and Saudi Arabia for our LSAW steel pipes in the second half of 2008 and the total sales to the above-mentioned overseas customers for the year ended 31 December 2008 amounted to approximately RMB683.4 million, or 26.0% to our total revenue; and (iii) the increase in sales of our LSAW steel pipes and ERW steel pipes to one of our American customers by approximately 110.6% from approximately RMB83.4 million for the year ended 31 December 2007 to approximately RMB155.7 million for the year ended 31 December 2008. Furthermore, the sales volume of our steel pipes manufacturing services increased by 195.1% from approximately 44,600 tonnes for the year ended 31 December 2007 to approximately 131,600 tonnes for the year ended 31 December 2008 which was driven by a LSAW steel pipes manufacturing service order from one of our major domestic customers in relation to a gas pipeline project near Sichuan Province, the PRC and the sales revenue from which accounted for approximately 82.6% of our total revenue generated from our steel pipes manufacturing services for the year ended 31 December 2008.

Moreover, the average selling price for the manufacture and sale of our LSAW steel pipes increased, which is primarily attributable to the increase in the unit costs of steel plates and steel coils, which were the major components in the pricing of our steel pipes, by approximately 35.2% and 28.4%, respectively, for the year ended 31 December 2008 when compared with that in the year ended 31 December 2007. We have adopted a cost plus pricing model whereby the selling price of our steel pipe products was determined with a mark-up over cost of major raw materials with reference to the prevailing market prices of such raw materials at the time of entering into the contracts with our customers and the range of such mark-up varies on a case-by-case basis taken into account, among other things, our business relationship with the respective customers, delivery schedule required, transportation cost, additional anti-corrosive services required, the technical specifications required and, in the case of bidding, the potential competition for such bid.

Cost of sales

Our cost of sales increased by approximately 75.1% from approximately RMB1,192.0 million for the year ended 31 December 2007 to approximately RMB2,087.7 million for the year ended 31 December 2008 which was in line with the increase in our overall sales and volumes as discussed under the paragraph headed "Revenue" under the topic "Year ended 31 December 2008 compared to year ended 31 December 2007" above.

Gross profit and gross profit margin

Our gross profit increased by approximately 101.8% from approximately RMB266.1 million for the year ended 31 December 2007 to approximately RMB537.0 million for the year ended 31 December 2008. Our gross profit margin also increased from approximately 18.2% for the year ended 31 December 2007 to approximately 20.5% for the year ended 31 December 2008. The increases in our gross profit and gross profit margin were mainly attributable to (i) the economies of scale resulted from the significant increases in the overall sales volume by approximately 72.2% from approximately 240,900 tonnes for the year ended 31 December 2007 to approximately 414,790 tonnes for the year ended 31 December 2008; and (ii) the change in our sales and product mix in the year ended 31 December 2008 as compared to 2007. The percentage of our revenue generated from the provision of steel pipes manufacturing services, which, in general, have higher profit margin relative to manufacture and sale of steel pipes, to our total revenue increased from approximately 3.4% for the year ended 31 December 2007 to approximately 6.3% for the year ended 31 December 2008. Moreover, the percentage of revenue generated from LSAW steel pipes, which in general have higher profit margin relative to ERW steel pipes, increased from approximately 84.6% for the year ended 31 December 2007 to approximately 90.5% for the year ended 31 December 2008.

Gross profit margin for our manufacture and sales of LSAW steel pipes improved from approximately 16.7% for the year ended 31 December 2007 to approximately 18.6% for the year ended 31 December 2008. The increase was mainly attributable to the economies of scale enjoyed by us as a result of the substantial increase in the sales volume of LSAW steel pipes manufacture and sales from approximately 163,000 tonnes for the year ended 31 December 2007 to approximately 255,200 tonnes for the year ended 31 December 2008.

Gross profit margin for manufacturing services of LSAW steel pipes decreased from approximately 66.0% for the year ended 31 December 2007 to approximately 63.4% for the year ended 31 December 2008. The decrease was mainly attributable to the increase in the cost of sales attributable to manufacturing services of LSAW steel pipes as a result of the increase in the number of production staff for our production line in Zhangjiagang, Jiangsu Province, the PRC since February 2009.

Gross profit margin for the manufacture and sales of ERW steel pipes substantially decreased from 16.5% for the year ended 31 December 2007 to 10.1% for the year ended 31 December 2008. The gross profit margin of manufacturing services of ERW steel pipes also deteriorated from a gross profit margin of approximately 10.2% for the year ended 31 December 2007 to a gross loss margin of approximately 12.5% for the year ended 31 December 2008. The deterioration of the gross profit margin of our ERW steel pipes was mainly attributable to the high production cost per unit of ERW steel pipes due to the fact that the revenue derived from our ERW steel pipes was not sufficient to cover the fixed overhead costs of the ERW steel pipes production line during the year ended 31 December 2008 as a result of the significant decrease in quantity of our sales orders for ERW steel pipes by 14.4% from approximately 44,400 tonnes for the year ended 31 December 2007 to approximately 38,000 tonnes for the year ended 31 December 2008.

The decrease in the gross profit margin of "Others" was mainly attributable to the fact that we sold our scrap materials at diminishing selling prices during the year ended 31 December 2008 as compared to the year ended 31 December 2007 due to the rapid decrease in steel price since the second half of the year 2008.

Other income and gains

	Year ended 31 December	
	2007	**2008**
	RMB'000	*RMB'000*
Bank interest income	2,096	4,546
Subsidy income from the PRC government	896	1,415
Compensation	–	458
Others	261	11
	3,253	6,430

Our other income and gains increased by approximately 93.9% from approximately RMB3.3 million for the year ended 31 December 2007 to approximately RMB6.4 million for the year ended 31 December 2008. The increase was primarily attributable to (i) the increase in bank interest income from approximately RMB2.1 million for the year ended 31 December 2007 to approximately RMB4.5 million for the year ended 31 December 2008 which is in line with the increase in the total of pledge deposits and cash and bank balances by approximately 58.7% from approximately RMB165.8 million as at 31 December 2007 to approximately RMB263.1 million as at 31 December 2008; and (ii) the entitlement of an aggregate subsidy income of approximately RMB1.1 million from the PRC which was mainly attributable to the accreditation of 中國馳名商標 (China Well-known Trademark*) in October 2006 with the related subsidy income subsequently granted by 廣州市番禺區財政局 (Panyu Finance Bureau of Guangzhou City*) in April 2008.

Selling and distribution costs

Our selling and distribution costs slightly decreased by approximately 9.4% from approximately RMB63.1 million for the year ended 31 December 2007 to approximately RMB57.2 million for the year ended 31 December 2008. The slight decrease in our selling and distribution expenses was primarily due to the composite effect of (i) the increase in commissions paid to sales agents who assisted to obtain successful sales orders by approximately 50.1% from approximately RMB13.0 million for the year ended 31 December 2007 to approximately RMB19.6 million for the year ended 31 December 2008; and (ii) the decrease in transportation costs by approximately 38.8% from approximately RMB38.4 million for the year ended 31 December 2007 to approximately RMB23.5 million for the year ended 31 December 2008 as a number of our domestic customers agreed to bear the transportation cost as a result of our successful negotiation. As a percentage of revenue, our selling and distribution costs decreased from approximately 4.3% for the year ended 31 December 2007 to approximately 2.2% for the year ended 31 December 2008. The decrease was mainly attributable to the adoption of more stringent cost control on our expenses in relation to our sales and marketing activities and the absorption of transportation cost by a number of our domestic customers.

Administrative expenses

Our administrative expenses increased by approximately 85.2% from approximately RMB48.6 million for the year ended 31 December 2007 to approximately RMB90.0 million for the year ended 31 December 2008. The increase in our administrative expenses was mainly attributable to (i) the increase in the salaries of our administrative and management staff by approximately 63.6% from approximately RMB8.8 million for the year ended 31 December 2007 to approximately RMB14.4 million for the year ended 31 December 2008, the increase in the staff social insurance by approximately 85.3% from approximately RMB3.4 million for the year ended 31 December 2007 to approximately RMB6.3 million for the year ended 31 December 2008 and the increase in staff welfare by approximately 104.3% from approximately RMB2.3 million for the year ended 31 December 2007 to approximately RMB4.7 million for the year ended 31 December 2008, all of which were resulted from the increase in the monthly average headcount from approximately 172 for the year ended 31 December 2007 to approximately 196 for the year ended 31 December 2008 for the commencement of the operation of the GPR Companies and the average salary increment of approximately 35% during the year ended 31 December 2008 compared to the previous year; (ii) the increase in the bank charges, which mainly represented the charges for the issuance of bank acceptance notes to our suppliers, letters of guarantees to our customers relating to the quality assurance fund and administrative fee charged by the banks in relation to certain new bank loans obtained in 2008, by approximately 156.7% from approximately RMB3.0 million for the year ended 31 December 2007 to approximately RMB7.7 million for the year ended 31 December 2008, which was in line with the increase in our sales and purchases; (iii) the increase in travelling expenses by approximately 30.0% from approximately RMB5.0 million for the year ended 31 December 2007 to approximately RMB6.5 million for the year ended 31 December 2008 was mainly related to the increase in travelling frequency in preparation for the commencement of the new production line in Zhangjiagang, Jiangsu Province, the PRC in March 2008; and (iv) the increase in professional fees from approximately RMB1.9 million for the year ended 31 December 2007 to approximately RMB21.8 million for the year ended 31 December 2008 as a result of the recognition of the legal and professional fees in relation to the Listing incurred during the year 2008.

Finance costs

Our finance costs increased by approximately 43.6% from approximately RMB45.4 million for the year ended 31 December 2007 to approximately RMB65.2 million for the year ended 31 December 2008. The increase in our finance costs was mainly attributable to the increase in the monthly average balance of our interest-bearing bank loans by approximately 16.8% from approximately RMB811.4 million for the year ended 31 December 2007 to approximately RMB947.5 million for the year ended 31 December 2008. Such increased short-term bank borrowings were mainly utilised for the purchase of raw materials.

Exchange loss, net

We encountered an exchange loss of approximately RMB9.0 million for the year ended 31 December 2008 as compared to that of approximately RMB10.7 million for the year ended 31 December 2007. The decrease in the exchange loss was mainly attributable to the appreciation of RMB and the increase in our overseas sales, which were mainly denominated in US dollar, by approximately 114.1% from approximately RMB794.4 million for the year ended 31 December 2007 to approximately RMB1,335.6 million for the year ended 31 December 2008.

Share of profit of a jointly-controlled entity

Share of profit of our jointly-controlled entity represented our share of profit of Hualong Anti-Corrosion, which was owned as to 50% by our Group prior to July 2007. Hualong Anti-Corrosion became a wholly-owned subsidiary of our Group upon completion of the acquisition of the remaining 50% equity interest in Hualong Anti-Corrosion in July 2007. As a result, there was no share of profit of jointly-controlled entity for each of the financial years ended 31 December 2007 and 2008.

Income tax expenses

Our income tax expenses increased by approximately 50.7% from approximately RMB28.2 million for the year ended 31 December 2007 to approximately RMB42.5 million for the year ended 31 December 2008. Such increase was mainly due to the increase in our profit before tax during the year ended 31 December 2008. Our effective tax rate for the year ended 31 December 2008 was approximately 13.4%, as compared to approximately 28.6% for the year ended 31 December 2007. The decrease in our effective tax rate is primarily attributable to the decrease in the rate of PRC EIT applicable to PCKSP, which was a foreign investment enterprise of a production nature established in a coastal economic open zone, from 27% before 1 January 2008 to a reduced rate of 15% from 1 January 2008 to 31 December 2010 as PCKSP was qualified as an advanced and new technology enterprise eligible for key support from the PRC government on 16 December 2008.

Profit for the year and net profit margin

As a combined result of the factors described above, our net profit for the year ended 31 December 2008 significantly increased by approximately 291.3% from approximately RMB70.4 million for the year ended 31 December 2007 to approximately RMB275.5 million for the year ended 31 December 2008. Net profit margin for the year ended 31 December 2008 improved significantly from approximately 4.8% for the year ended 31 December 2007 to approximately 10.5% for the year ended 31 December 2008.

Year ended 31 December 2007 compared to year ended 31 December 2006

Revenue

Our revenue increased by approximately 32.6% from approximately RMB1,099.7 million for the year ended 31 December 2006 to approximately RMB1,458.0 million for the year ended 31 December 2007. The increase was mainly attributable to the combined effects of (i) the increase in the overall sales volume of our steel pipes; and (ii) the increase in the average selling price of our steel pipes as driven by the increase in raw material prices and change in our product mix.

The overall sales volume of our steel pipes for the year ended 31 December 2007 was approximately 240,900 tonnes, representing an increase of approximately 13.4% as compared to approximately 212,500 tonnes for the year ended 31 December 2006. Such growth was primarily attributable to the increase in the overall demand for our steel pipe products. During the year ended 31 December 2007, we successfully explored new overseas markets for our steel pipe products, such as Nigeria and Chile.

Moreover, the average selling price of our steel pipes increased by approximately 16.9% from approximately RMB5,175 per tonne for the year ended 31 December 2006 to approximately RMB6,052 per tonne for the year ended 31 December 2007. Such increase was primarily attributable to (i) the change in our product mix and (ii) the increase in the cost of our principal raw materials, being steel plates and steel coils, which were the major components in the pricing of our steel pipes. For the year ended 31 December 2007, our revenue derived from manufacture and sales of LSAW steel pipes, which have a higher unit selling price than ERW steel pipes, accounted for approximately 81.6% of our revenue, compared to that of approximately 72.8% for the year ended 31 December 2006. In addition, due to our cost plus pricing model discussed above, the average selling prices of steel pipes for the year ended 31 December 2007 increased as compared to that for the year ended 31 December 2006 as a result of the increase in the unit cost of raw materials for the year ended 31 December 2007 by an average of approximately 2.4% as compared to that for the year ended 31 December 2006.

Cost of sales

Our cost of sales increased by approximately 29.6% from approximately RMB919.9 million for the year ended 31 December 2006 to approximately RMB1,192.0 million for the year ended 31 December 2007. The increase in our cost of sales was principally driven by the increase in our overall sales volume and the increase in prices of our principal raw materials as discussed under the paragraph headed "Revenue" under the topic "Year ended 31 December 2007 compared to year ended 31 December 2006" above.

Gross profit and gross profit margin

Our gross profit increased by approximately 47.9% from approximately RMB179.9 million for the year ended 31 December 2006 to approximately RMB266.1 million for the year ended 31 December 2007. Our gross profit margin also increased from approximately 16.4% for the year ended 31 December 2006 to approximately 18.2% for the year ended 31 December 2007. The increases in our gross profit and gross profit margin were primarily attributable to the increases in the overall sales volume and the average selling price of our steel pipes as discussed under the paragraph headed "Revenue" under the topic "Year ended 31 December 2007 compared to year ended 31 December 2006" above. Moreover, we sold more LSAW steel pipes which, in general, have higher profit margin relative to ERW steel pipes during the year ended 31 December 2007. The percentage of the total sales of LSAW steel pipes and LSAW steel pipes manufacturing services to our total revenue increased from approximately 76.5% for the year ended 31 December 2006 to approximately 84.7% for the year ended 31 December 2007. Such change in product mix also contributed to the increases in the overall gross profit and gross profit margin.

In addition, the sharp increase in the gross profit margin of manufacturing and sale of ERW steel pipes from approximately 9.2% for the year ended 31 December 2006 to approximately 16.5% for the year ended 31 December 2007 is mainly attributable to two contracts with special technical specifications for the ERW steel pipes for which our Group recorded a relatively higher gross profit margin. Whilst these two contracts accounted for approximately 46.6% of our Group's revenue for the manufacture and sale of ERW steel pipes for the year ended 31 December 2007, our Group's gross profit margin for the manufacturing and sale of ERW steel pipes was driven up by these two contracts in that year.

Other income and gains

	Year ended 31 December	
	2006	**2007**
	RMB'000	*RMB'000*
Bank interest income	1,304	2,096
Gain on collection of a held-to-maturity investment	14	–
Subsidy income from the PRC government	1,160	896
Compensation	18	–
Others	–	261
	2,496	3,253

Our other income and gains increased by approximately 30.3% from approximately RMB2.5 million for the year ended 31 December 2006 to approximately RMB3.3 million for the year ended 31 December 2007. The increase was primarily attributable to the increase in bank interest income, which was in line with the increase in our cash and bank balances during the year from approximately RMB89.4 million as at 31 December 2006 to approximately RMB113.7 million as at 31 December 2007. Such increase is partially offset by the decrease in subsidy income by approximately 29.5% from approximately RMB1.2 million for the year ended 31 December 2006 to approximately RMB0.9 million for the year ended 31 December 2007. Subsidy income which amounted to approximately RMB1.2 million for the year ended 31 December 2006 mainly represents monetary prize awarded by 中華人民共和國廣東省人民政府 (the People's Government of Guangdong Province*) and the 中華人民共和國廣州市人民政府 (the Guangzhou Municipality*) during the year 2006. Furthermore, the subsidy income in the amount of approximately RMB0.9 million for the year ended 31 December 2007 mainly represents the monetary prize awarded by 中華人民共和國廣州市番禺區人民政府 (the Panyu Guangzhou Municipality*). The entitlement of the above subsidy income for the year 2006 and 2007 is mainly due to the accreditation of 中國名牌產品 (China Top Brand Products*) in 2006. Our Directors have confirmed that such subsidy income is non-recurring and available to other eligible entities that are able to fulfill the requisite requirements.

Selling and distribution costs

Our selling and distribution costs increased by approximately 33.1% from approximately RMB47.4 million for the year ended 31 December 2006 to approximately RMB63.1 million for the year ended 31 December 2007. As a percentage of revenue, our selling and distribution costs were maintained at approximately 4.3% for each of the two years ended 31 December 2007. The increase in our selling and distribution costs was mainly attributable to (i) the increase in the transportation costs by approximately 32.4% from approximately RMB29.0 million to approximately RMB38.4 million as a result of the increases in our overseas sales and overall transportation charges; and (ii) the increase in the commissions paid to sales agents and bidding agents who introduced or assisted us in obtaining successful sales orders by approximately 85.7% from approximately RMB7.0 million to approximately RMB13.0 million due to the increase in both our domestic and exports sales.

Administrative expenses

Our administrative expenses increased by approximately 31.4% from approximately RMB37.0 million for the year ended 31 December 2006 to approximately RMB48.6 million for the year ended 31 December 2007. As a percentage of revenue, our administrative expenses were approximately 3.4% and 3.3% for each of the two years ended 31 December 2007 respectively. The increase in our administrative expenses was mainly attributable to (i) the increase in the salaries of our administrative and management staff by approximately 57.1% from approximately RMB5.6 million for the year ended 31 December 2006 to approximately RMB8.8 million for the year ended 31 December 2007 as a result of additional employees hired for the expansion of our production line and an increase of average salary level for the management staff; (ii) the increase in the traveling and entertainment expenses by approximately 45.0% from approximately RMB6.0 million for the year ended 31 December 2006 to approximately RMB8.7 million for the year ended 31 December 2007 in relation to the establishment of our new production line in Zhangjiagang, the PRC and the expansion of our overseas sales; (iii) the increase in the bank charges by approximately 50.0% from approximately RMB2.0 million for the year ended 31 December 2006 to approximately RMB3.0 million for the year ended 31 December 2007 due to the increase in our uses of various bank services for our increased exports sales; and (iv) the increase in the professional fees incurred for the preparation of our listing application.

Other expenses

Our other expenses increased by approximately 75.9% from approximately RMB1.6 million for the year ended 31 December 2006 to approximately RMB2.9 million for the year ended 31 December 2007. The increase in our other expenses was primarily attributable to a write-off of certain items of property, plant and equipment which amounted to approximately RMB1.6 million in the year ended 31 December 2007.

Finance costs

Our finance costs increased by approximately 5.2% from approximately RMB43.2 million to approximately RMB45.4 million for the year ended 31 December 2007. The increase in our finance costs was primarily attributable to the increase in our short-term bank borrowings by approximately 112.7% from approximately RMB381.0 million for the year ended 31 December 2006 to approximately RMB810.4 million for the year ended 31 December 2007. Such increased short-term bank borrowings were mainly utilised for the purchase of raw materials.

Exchange loss, net

We encountered a significant exchange loss of approximately RMB10.7 million for the year ended 31 December 2007 as compared to an exchange loss of approximately RMB1.5 million for the year ended 31 December 2006. The exchange loss was attributable to the appreciation of RMB against US dollar during the year ended 31 December 2007 and the increase in our overseas sales, which were denominated in US dollar, by approximately 58.8% from approximately RMB500.2 million for the year ended 31 December 2006 to approximately RMB794.4 million for the year ended 31 December 2007.

Share of profit of a jointly-controlled entity

Share of profit of our jointly-controlled entity represented our share of profit of Hualong Anti-Corrosion, which was owned as to 50% by our Group prior to July 2007. Hualong Anti-Corrosion became a wholly-owned subsidiary of our Group upon the completion of the acquisition of the remaining 50% equity interest in Hualong Anti-Corrosion in July 2007. During the first half of 2007, since the shareholders of Hualong Anti-Corrosion were in the process of negotiating the equity transfer arrangement, only a few transactions were carried out and the operating result broke even. Accordingly, no profit was shared in the first half year of 2007.

Income tax expenses

Our income tax expenses increased by approximately 75.2% from approximately RMB16.1 million for the year ended 31 December 2006 to approximately RMB28.2 million for the year ended 31 December 2007. Such increase was in line with the increase in our profit before tax during the year. Our effective tax rate for the year ended 31 December 2007 was approximately 28.6%, which was decreased by approximately 1.2% from approximately 29.8% for the year ended 31 December 2006. The decrease in our effective tax rate was mainly attributable to the lower ratio of expenses not deductible for tax to profit for the year ended 31 December 2007. Expenses not deductible for tax purposes for the year ended 31 December 2007 mainly included provision for bad debt, account payables with ageing over two years, loss on disposal of certain items of property, plant and equipment and various non-deductible business entertainment expenses while the expenses not deductible for tax purposes for the year ended 31 December 2006 mainly included bad debt provision, promotion expenses of our PRC subsidiary that incurred in Hong Kong and not deductible in the PRC and staff welfare that exceeded the deduction limit in the PRC.

Profit for the year and net profit margin

As a combined result of the factors described above, our net profit for the year ended 31 December 2007 significantly increased by approximately 85.3% from approximately RMB38.0 million for the year ended 31 December 2006 to approximately RMB70.4 million for the year ended 31 December 2007. Net profit margin for the year ended 31 December 2007 improved from approximately 3.5% for the year ended 31 December 2006 to approximately 4.8% for the year ended 31 December 2007.

ANALYSIS OF MAJOR STATEMENTS OF FINANCIAL POSITION ITEMS AND FINANCIAL RATIOS

The following tables illustrate major statements of financial position items and key financial ratios of our Group as at the end of each financial year/period during the Track Record Period:

Combined statements of financial position

	As at 31 December			As at 31 August
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS				
Property, plant and equipment	348,795	458,063	479,637	472,439
Deposit paid for purchases of items of property, plant and equipment	7,112	14,703	25,009	71,554
Prepaid land lease payments	91,118	88,965	86,812	85,376
Goodwill	–	4,075	4,075	4,075
Interest in a jointly-controlled entity	10,054	–	–	–
Deferred tax assets	1,452	1,856	1,066	1,652
Pledged deposits	14,675	7,082	37,537	15,149
Total non-current assets	473,206	574,744	634,136	650,245
CURRENT ASSETS				
Inventories	224,818	428,538	710,694	500,895
Trade receivables	165,704	279,261	240,183	577,540
Prepayments, deposits and other receivables	171,858	332,479	168,225	175,425
Pledged deposits	40,601	45,058	183,772	149,221
Cash and bank balances	89,434	113,694	41,765	104,728
Total current assets	692,415	1,199,030	1,344,639	1,507,809
TOTAL ASSETS	1,165,621	1,773,774	1,978,775	2,158,054
CURRENT LIABILITIES				
Trade and bills payables	109,916	83,445	198,326	268,640
Interest-bearing bank loans and government loans	404,890	1,084,519	637,706	637,655
Other payables and accruals	65,313	233,874	385,491	252,723
Tax payable	6,405	20,182	26,652	27,061
Due to the ultimate shareholder	19,171	338	15,282	25,698
Total current liabilities	605,695	1,422,358	1,263,457	1,211,777
NET CURRENT ASSETS/(LIABILITIES)	86,720	(223,328)	81,182	296,032
TOTAL ASSETS LESS CURRENT LIABILITIES	559,926	351,416	715,318	946,277

	As at 31 December			As at 31 August
	2006	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT LIABILITIES				
Interest-bearing bank loans and government loans	285,581	–	111,000	90,000
Due to the ultimate shareholder	26,000	26,000	–	–
Government grants	1,850	2,168	3,681	4,211
Total non-current liabilities	313,431	28,168	114,681	94,211
Net assets	246,495	323,248	600,637	852,066
EQUITY				
Equity attributable to equity holders of the Company				
Issued capital	–	–	–	–
Reserves	246,495	323,248	600,637	852,066
Total equity	246,495	323,248	600,637	852,066
TOTAL EQUITY AND LIABILITIES	1,165,621	1,773,774	1,978,775	2,158,054

Key financial ratios

		As at and for the year ended 31 December			As at and for the eight months ended 31 August
	Notes	2006	2007	2008	2009
Current ratio	*1*	1.1	0.8	1.1	1.2
Quick ratio	*2*	0.8	0.5	0.5	0.8
Gearing ratio	*3*	63.3%	62.7%	38.8%	35.1%
Inventory turnover days	*4*	95 days	100 days	100 days	94 days
Debtors' turnover days	*5*	42 days	56 days	36 days	49 days
Creditors' turnover days	*6*	54 days	30 days	25 days	36 days

Notes:

1. Current ratio is calculated based on the total current assets divided by total current liabilities at the end of the respective years/period.

2. Quick ratio is calculated based on the difference between the total current assets and inventories divided by total current liabilities at the end of the respective years/period.

3. Gearing ratio is calculated based on the summation of bank borrowings, government loans and due to the ultimate shareholder divided by total assets and multiplied by 100%.

4. Inventory turnover days is calculated based on the average inventory (sum of opening and closing balances of inventory of respective years/period and then divided by two) divided by cost of sales of the respective years/period and multiplied by 365 days/243 days.

5. Debtors' turnover days is calculated based on the average trade receivables (sum of opening and closing balances of trade receivables of respective years/period and then divided by two) divided by revenue of the respective years/period and multiplied by 365 days/243 days.

6. Creditors' turnover days is calculated based on the average trade and bills payables (sum of opening and closing balances of trade and bills payables of respective years/period and then divided by two) as at the end of the respective years/period divided by cost of sales of the respective years/period and multiplied by 365 days/243 days.

Property, plant and equipment

Our Group's property, plant and equipment increased by approximately 31.3% from approximately RMB348.8 million as at 31 December 2006 to approximately RMB458.1 million as at 31 December 2007. The increase was primarily due to the addition of approximately RMB131.4 million worth of property and equipment, which was offset by the depreciation charge of approximately RMB27.1 million. The addition of property, plant and equipment was attributable to the installation of our new steel pipes production line in Zhangjiagang, Jiangsu Province, the PRC for the expansion of our production capacity.

Our Group's property, plant and equipment has increased by approximately 4.7% from approximately RMB458.1 million as at 31 December 2007 to approximately RMB479.6 million as at 31 December 2008. The increase was primarily due to the combined effect of (i) the addition of equipment and machinery in amount of approximately RMB57.1 million which mainly represented the installation of the new production facilities in Zhangjiagang, Jiangsu Province, the PRC; and (ii) the depreciation charge of approximately RMB35.3 million for the year ended 31 December 2008.

Our Group's property, plant and equipment decreased by approximately 1.5% from approximately RMB479.6 million as at 31 December 2008 to approximately RMB472.4 million as at 31 August 2009. The slight decrease was mainly attributable to the combined effect of (i) the addition of plant and equipment in an amount of approximately RMB4.7 million for our factory in Panyu district in order to cope with the increasing demand of our steel pipe products; (ii) the recognition of approximately RMB99.6 million construction in progress which is mainly related to a new production line in Jiangyin, Jiangsu Province, the PRC in 2009 for the replacement of the production line in Zhangjiagang, Jiangsu Province, the PRC; (iii) the disposal of approximately RMB88.3 million production facilities in Zhangjiagang, Jiangsu Province, the PRC to an Independent Third Party after arm's length negotiation under our Group's new development and expansion plan; and (iv) the depreciation charge of approximately RMB23.6 million for the eight months ended 31 August 2009. As at 31 August 2009, construction in progress of the Group in amount of approximately RMB111.7 million out of which approximately RMB99.3 million represents the property, plant and equipment in relation to the new production line in Jiangyin. From 1 September 2009 to 31 December 2009, according to the unaudited financial information of our Group, additions to property, plant and equipment in relation to the new production line in Jiangyin, Jiangsu Province, the PRC amounted to approximately RMB11.5 million which only represented approximately 2.3% of the Group's unaudited property, plant and equipment and 1.2% of the Group's unaudited net asset as at 31 December 2009. As such, the Directors consider that the capital expenditure in relation to the new production line in Jiangyin, Jiangsu Province, the PRC for the four months ended 31 December 2009 was insignificant to the overall financial position of our Group during the relevant period.

Inventories and inventory turnover days

Inventories balance as at the respective year/period end during the Track Record Period represented the stock balance of raw materials, finished goods and work-in-progress.

Our inventories level significantly increased by approximately 90.6% from approximately RMB224.8 million as at 31 December 2006 to approximately RMB428.5 million as at 31 December 2007. The increase was primarily attributable to the increase in the stock balance of our principal raw materials as a result of the increase of sales orders received in the fourth quarter of 2007. As we entered into back-to-back purchase contracts with our suppliers to secure the supply and fix the price of raw materials for sales orders received from our customers, raw materials stocked up in the fourth quarter of 2007 to cope with the increased sales orders received during the fourth quarter of 2007. In addition, the balance of our finished goods was increased by approximately 43.1% from approximately RMB151.4 million as at 31 December 2006 to approximately RMB216.6 million as at 31 December 2007 as a result of the completion of the production of certain exports sales orders and yet to be shipped out as of the end of 2007. In this connection, our inventory turnover days slightly increased from approximately 95 days for the year ended 31 December 2006 to approximately 100 days for the year ended 31 December 2007.

Our inventories level increased by approximately 65.9% from approximately RMB428.5 million as at 31 December 2007 to approximately RMB710.7 million as at 31 December 2008. Such increase was primarily attributable to (i) the increase in raw materials by approximately 39.3% from approximately RMB141.2 million as at 31 December 2007 to approximately RMB196.7 million as at 31 December 2008 attributable to the commencement in the commercial operation of our Zhangjiagang production line in March 2008; and (ii) the increase in finished goods by approximately 106.1% from approximately RMB216.6 million as at 31 December 2007 to approximately RMB446.5 million as at 31 December 2008 as a result of completion of several production orders and the re-arrangement of the delivery schedules of our steel pipes to one of our largest customers in the Sultanate of Oman from the end of 2008 to mid-2009 under that customer's instruction following its decision to change the working schedule of its construction project. The steel pipes were delivered to that customer in around January to August 2009. The inventory turnover days maintained at approximately 100 days for both of the years ended 31 December 2007 and 2008 were mainly attributable to the simultaneous increase in the level of cost of sales and the average balance of inventory as a result of the increase in sales orders obtained in the year 2008.

Our inventory level dropped by approximately 29.5% from approximately RMB710.7 million as at 31 December 2008 to approximately RMB500.9 million as at 31 August 2009. The decrease is mainly resulted from (i) the decrease in finished goods from approximately RMB446.5 million as at 31 December 2008 to approximately RMB271.3 million as at 31 August 2009, which is mainly attributable to the delivery of the steel pipes to the customer in the Sultanate of Oman during the period from January to August 2009 as a result of the re-arrangement of the delivery schedules as discussed in the above paragraph and (ii) the decrease in the average purchase costs of our raw materials, which mainly represented steel plate and steel coil, from approximately RMB8,600 per tonne and RMB7,300 per tonne, respectively, for the year ended 31 December 2008 to approximately RMB5,300 per tonne and RMB5,400 per tonne for the eight months ended 31 August 2009 as a result of the general decrease in market prices of steel plate and steel coil during the eight months ended 31 August 2009. In this connection, the inventory turnover days decreased from approximately 100 days for the year ended 31 December 2008 to approximately 94 days for the eight months ended 31 August 2009.

Trade receivables and debtors' turnover days

Trade receivables balance as at the respective year/period end during the Track Record Period mainly represented the outstanding amounts receivable by us from our customers less any provision for doubtful debts. The granting of credit terms to our customers is assessed on a case-by-case basis and depends on various factors, such as their business relationships with us, creditworthiness, settlement history and size of business.

Our trade receivables balance increased by approximately 68.6% from approximately RMB165.7 million as at 31 December 2006 to approximately RMB279.3 million as at 31 December 2007. The increase was mainly attributable to the increase in our Group's overseas sales by approximately 58.8% from approximately RMB500.2 million for the year ended 31 December 2006 to approximately RMB794.4 million for the year ended 31 December 2007. In this connection, our debtors' turnover days increased from approximately 42 days for the year ended 31 December 2006 to approximately 56 days for the year ended 31 December 2007.

Our trade receivables balance also included the retention money withholding by our customers during the Track Record Period. Before the completion of each project, retention money, which represents generally 2% to 10% of the total sales value of respective project, would be withheld by our customers and payable until the end of the project warranty period, which ranges from a few months to two years after the delivery of finished products.

Our trade receivables balance decreased by approximately 14.0% from approximately RMB279.3 million as at 31 December 2007 to approximately RMB240.2 million as at 31 December 2008. The decrease was mainly attributable to the tighter credit control implemented by our management such as our successful bargaining with one of our major domestic customers requiring it pay a higher rate of prepayment for its sales orders during the year ended 31 December 2008. In this connection, our debtors' turnover days decreased from approximately 56 days for the year ended 31 December 2007 to approximately 36 days for the year ended 31 December 2008.

Our trade receivables balance increased by approximately 140.4% from approximately RMB240.2 million as at 31 December 2008 to approximately RMB577.5 million as at 31 August 2009. The significant increase was mainly attributable to the delivery of our steel pipes to our customer in the Sultanate of Oman throughout the year 2009, for which such trade receivable was not yet settled as at 31 August 2009 as this overseas customer was granted a credit period of around 60 days. In this regard, our debtors' turnover days increased from approximately 36 days for the year ended 31 December 2008 to approximately 49 days for the eight months ended 31 August 2009. Up to 31 December 2009, the subsequent settlement of our trade receivables as at 31 August 2009 amounted to approximately RMB514.1 million, representing approximately 89.0% of our trade receivables balance as at 31 August 2009.

Prepayments, deposits and other receivables

	As at 31 December			As at 31 August
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments	146,374	312,629	130,025	66,962
Deposits and other receivables	15,314	14,859	11,643	92,294
Tax recoverable	9,772	4,522	25,502	14,559
Current portion of land lease payments	2,153	2,153	2,153	2,153
	173,613	334,163	169,323	175,968
Less: Impairment of deposits and other receivables	(1,755)	(1,684)	(1,098)	(543)
	171,858	332,479	168,225	175,425

Prepayments mainly represent the balances of prepaid purchase amounts to our suppliers at the end of each financial year/period during the Track Record Period. As a usual practice, our Group is required to prepay approximately 10% to 30% of the total purchase amounts in order to secure the adequate supply of raw materials for the future productions.

Tax recoverable mainly represents the net balances of input value-added tax ("**VAT**") and output VAT at the end of each financial year/period.

Deposits and other receivables mainly represent the balances of (i) transportation expenses receivables and (ii) deposits as at the balance sheet date of each financial year/period. Transportation expenses receivables represent the balances of transportation expenses paid by our Group on the behalf of the customers. Depending on the different shipping arrangements agreed between our customers and us, occasionally, the transportation expenses might be born by our customers. In such event, our Group would normally settle the freight costs charged by the logistic agents on behalf of our customers and then requested for reimbursements from our customers. Deposits represent the balances of bidding deposits placed to our prospective customers in order to tender for the potential contracts. The deposits would be repaid immediately after the completion of each tender.

Our balance of prepayments, deposits and other receivables increased by approximately 93.4% from approximately RMB171.9 million as at 31 December 2006 to approximately RMB332.5 million as at 31 December 2007. The significant increase was primarily attributable to the increase in the prepayment to suppliers by approximately 113.5% from approximately RMB146.4 million as at 31 December 2006 to approximately RMB312.6 million as at 31 December 2007, which was mainly resulted from (i) the stock up of raw materials in the fourth quarter of 2007 to cope with the increased sales orders received during the fourth quarter of 2007; and (ii) the increase in the required deposit paid to our suppliers because some of our suppliers requested for a higher prepayment rate as a result of, to the best knowledge and belief of our Directors, the implementation by the PRC government of the policy in tightening the credit granted by banking institutions to enterprises in the PRC in 2007.

Our Group's balance of prepayments, deposits and other receivables decreased by approximately 49.4% from approximately RMB332.5 million as at 31 December 2007 to approximately RMB168.2 million as at 31 December 2008. The decrease was primarily attributable to the combined effect of the decrease in the balance of prepayments by approximately 58.4% from approximately RMB312.6 million as at 31 December 2007 to approximately RMB130.0 million as at 31 December 2008 and the increase in tax recoverable, which mainly represents the value-added tax of the PRC, by approximately 466.7% from approximately RMB4.5 million as at 31 December 2007 to approximately RMB25.5 million as at 31 December 2008. The decrease in the balance of prepayment was mainly due to the decrease in the required deposit paid to our suppliers because, our suppliers eased the prepayment requirement for our purchase orders as a result of, to the best knowledge of our Directors, an increase in market supply of steel plate and steel coil during the second half of the year 2008.

Our balance of prepayments, deposits and other receivables increased by approximately 4.3% from approximately RMB168.2 million as at 31 December 2008 to approximately RMB175.4 million as at 31 August 2009. The slight increase is mainly attributable to the net effect of (i) the drop in the balance of prepayments by approximately 48.5% from approximately RMB130.0 million as at 31 December 2008 to approximately RMB67.0 million as at 31 August 2009, which was brought about by certain suppliers relaxing the 10% to 50% prepaid purchase amount requirement in view of the market shrinkage problem in early 2009 under the global financial turmoil, as well as the increased bargaining power of our Group in requiring the suppliers to accept bank acceptance notes with a credit term of around three to six months since our Group continued to purchase steel plates, steel coils and other raw materials in bulk; (ii) the increase in an item of other receivables of approximately RMB75.6 million, being the outstanding balance due from the buyer of our production line in Zhangjiagang, Jiangsu Province, which was disposed of by our Group in August 2009 following our relocation of our production base in Zhangjiagang, Jiangsu Province, the PRC to Jiangyin, Jiangsu Province, the PRC and the amount has been fully settled in September 2009; and (iii) the increase in the deposit receivable of approximately RMB4.4 million which amount was placed as deposits for bidding certain sales projects to be launched in late 2009 and 2010 but would be fully refunded to our Group after the biddings are completed.

Trade and bills payables and creditors' turnover days

Trade and bills payables balance as at the respective year/period end during the Track Record Period mainly represented the outstanding amounts payable by us to our suppliers of raw materials. In general, the payment term for the suppliers of steel plate and steel coil are cash on delivery and several sorts of credit terms were granted by some of our other suppliers. The effective credit period granted to us by our suppliers ranged from approximately 0 to 90 days during the Track Record Period.

Our trade and bills payables balance decreased by approximately 24.1% from approximately RMB109.9 million as at 31 December 2006 to approximately RMB83.4 million as at 31 December 2007. The decrease was mainly attributable to the fact that we were required to make more prepayments to suppliers before the delivery of raw materials. In this connection, our creditors' turnover days decreased from approximately 54 days in 2006 to approximately 30 days in 2007.

Our trade and bills payables balance increased significantly by approximately 137.8% from approximately RMB83.4 million as at 31 December 2007 to approximately RMB198.3 million as at 31 December 2008. The increase was primarily attributable to the utilisation of bank acceptance notes with a payment period of approximately three to six months to settle the trade payables to one of our major suppliers in the PRC since the fourth quarter of the year 2008 which resulted in an increase in the balance of bills payable by approximately 358.7% from approximately RMB30.0 million as at 31 December 2007 to approximately RMB137.6 million as at 31 December 2008. However, during the first three quarters of 2008, our major suppliers of the raw materials were still adopting the cash on delivery credit policy and there was a significant increase in our cost of sales from approximately RMB1,192.0 million for the year ended 31 December 2007 to approximately RMB2,087.7 million for the year ended 31 December 2008 that was in line with the increase in our sales for 2008, in this connection, our creditors' turnover days decreased from approximately 30 days for the year ended 31 December 2007 to approximately 25 days for the year ended 31 December 2008.

Our trade and bills payables balance increased by approximately 35.5% from approximately RMB198.3 million as at 31 December 2008 to approximately RMB268.6 million as at 31 August 2009. Such increase is mainly attributable to (i) the relaxation of purchase prepayment condition required by an increasing number of suppliers as a result of the market shrinkage problem encountered by those suppliers since the fourth quarter of the year 2008 under the global financial turmoil, whereas bank acceptance notes with a generally longer payment period were accepted by them since the fourth quarter of the year 2008; and (ii) the increased bargaining power of our Group in receiving a credit term of around three to six months from a larger number of suppliers since our Group continued to purchase raw materials from them in bulk even under the financial downturn in 2009. As a result of the lengthened credit terms granted by many of our suppliers, our creditors' turnover days increased from approximately 25 days for the year ended 31 December 2008 to approximately 36 days for the eight months ended 31 August 2009.

Other payables and accruals

	As at 31 December			As at 31 August
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deposits received and receipts in advance	52,333	185,131	332,732	183,454
Other payables	4,204	28,859	12,813	25,197
Payroll payables	3,822	5,602	6,146	12,656
Accruals and other liabilities	3,132	7,064	25,480	26,076
Consideration remained payable for acquisition of a subsidiary	–	4,000	–	–
Other tax payables	1,822	3,218	8,320	5,340
	65,313	233,874	385,491	252,723

Deposit received and receipts in advance mainly represent the prepayments received from customers for purchase of our Group's products according to the sales contracts. In general, we usually receive from our customers before the production of sales orders an amount equivalent to approximately 30% of the total contracted sum.

Other payables mainly represented transportation fee payables for the forwarders and interest payables for the long term and short term bank loans borrowed by our Group.

Accruals and other liabilities mainly represented the accrual of water expenses, electricity expenses and other operating expenses of our Group.

Other tax payables mainly represented stamp duties, real estate taxes and flood prevention surcharge payable.

Our other payables and accruals balance increased by approximately 258.2% from approximately RMB65.3 million as at 31 December 2006 to approximately RMB233.9 million as at 31 December 2007. The increase was mainly attributable to (i) the increase in our deposits received and receipts in advance by approximately 253.9% from approximately RMB52.3 million as at 31 December 2006 to approximately RMB185.1 million as at 31 December 2007, which was mainly resulted from the increase in sales orders during the year ended 31 December 2007; (ii) the increase in our other payables balance by approximately 588.1% from approximately RMB4.2 million as at 31 December 2006 to approximately RMB28.9 million as at 31 December 2007, which was mainly attributable to the increase in transportation fee payables to forwarders as of 31 December 2007 which was resulted from the delivery of certain exports sales order, which had much higher freight costs, in December 2007; (iii) the increase in payroll payables by approximately 47.4% from approximately RMB3.8 million as at 31 December 2006 to approximately RMB5.6 million as at 31 December 2007, which was in line with the increase in our headcount and the average salary of approximately 25%

during the year 2007; (iv) the increase in accruals and other liabilities by approximately 129.1% from approximately RMB3.1 million to RMB7.1 million attributable to the increase in utilities charges result from the setting up of certain production lines for the GPR Companies and commenced their testing and fitting of new production line in late 2007; (v) the arises of RMB4.0 million of consideration payable resulted from the acquisition of Hualong Anti-Corrosion; and (vi) the increase in other tax payables by approximately 77.8% from approximately RMB1.8 million as at 31 December 2006 to approximately RMB3.2 million as at 31 December 2007 resulted from the increase in our Group's purchase volume in the last quarter of the year 2007 and led to the increase in our stamp duties charged for purchase contract accordingly.

Our other payables and accruals balance increased by approximately 64.8% from approximately RMB233.9 million as at 31 December 2007 to approximately RMB385.5 million as at 31 December 2008. The increase is primarily attributable to the combined effect of (i) the increase in our deposits received and receipts in advance by approximately 79.7% from approximately RMB185.1 million as at 31 December 2007 to approximately RMB332.7 million as at 31 December 2008, which was mainly resulted from the increase in domestic sales orders during the year ended 31 December 2008 and we successfully bargained with one of our major domestic customers for a higher rate of prepayment for its sales order during the year ended 31 December 2008; (ii) the decrease in other payables by approximately 55.7% from approximately RMB28.9 million as at 31 December 2007 to approximately RMB12.8 million as at 31 December 2008 which was mainly resulted from the decrease in transportation payable for our domestic sales as a number of our domestic customers have agreed to bear the transportation cost; (iii) the increase in accruals and other liabilities by approximately 259.2% from approximately RMB7.1 million as at 31 December 2007 to approximately RMB25.5 million as at 31 December 2008 as a result of increase in accruals in relation to our new production line in Zhangjiagang, Jiangsu Province, the PRC which commenced commercial production since March 2008 and the recognitions of legal and professional fees in relation to the Listing incurred during the year 2008; and (iv) the increase in other tax payables by approximately 159.4% from approximately RMB3.2 million as at 31 December 2007 to approximately RMB8.3 million as at 31 December 2008 and such increase is in line with the increase in sales and purchases of our Group during the year ended 31 December 2008.

Our other payables and accruals balance decreased by approximately 34.5% from approximately RMB385.5 million as at 31 December 2008 to approximately RMB252.7 million as at 31 August 2009. The decrease is mainly attributable to the net effect of (i) the drop in deposits received and receipts in advance by approximately 44.8% from approximately RMB332.7 million as at 31 December 2008 to approximately RMB183.5 million as at 31 August 2009, which is primarily resulted from the charging of a relatively higher prepayment rate on one of our major domestic customers for its sales order during the year ended 31 December 2008. The total sales orders of such project were completed during the eight months ended 31 August 2009 and whereas no such special prepayment rate was charged to other customers for the eight months ended 31 August 2009; and (ii) the increase in other payables by approximately 96.9% from approximately RMB12.8 million as at 31 December 2008 to approximately RMB25.2 million as at 31 August 2009, which is mainly attributable to the increase in payables for the purchase of certain plant and equipment for our new production line in Jiangyin, Jiangsu Province, the PRC and our factory in Panyu, Guangdong Province, the PRC for the eight months ended 31 August 2009.

Interest-bearing loans and government loans

Government loans represented the borrowings from local finance bureau for the purpose of the Group's working capital. The loans were secured, repayable on demand and carrying fixed interest rate of 5.58% per annum. The borrowing contracts were signed in 2000 and secured by a corporate guarantee of 廣州市番禺珠江實業集團有限公司 (Guangzhou City Panyu Pearl River Enterprises Holdings Co., Ltd.*) which is a related party of the Group.

During the Track Record Period, we financed the purchase of raw materials mainly by short term bank loans. After entering into sales contracts with our customers, we will present the relevant sales contract or letters of credit to the banks in the PRC to apply for a specific purpose loan for the purchase of raw materials. In the case of domestic sales, we will instruct our domestic customers to settle the amount payable to us by remitting the fund to a designated account with the above-mentioned banks and in the case of exports sales, such banks will also act as the notifying bank for clearing the letters of credits with the paying bank. Under the above-mentioned arrangement, the relevant bank will usually grant a loan amount up to approximately 70% to 80% of the contract sum of the respective sales contract. Upon such banks receiving the settlement from our customers, they will deduct the above-mentioned specific purpose loan amount from the amount received from our customers and release the remaining balance to us. As such, more bank loans have been borrowed to finance the purchase of raw materials in the fourth quarter of 2007 and led to an increase in our bank loan balances as at 31 December 2007. Our Directors consider that the PRC government policy in tightening the credit granted by banking institutions to enterprises in the PRC in 2007 as discussed under the paragraphs headed "Prepayment, deposit and other receivables" above has no significant impact on our Group's ability to borrow money from banks to finance our purchases of raw materials.

Our total interest-bearing loans and government loans balance decreased by approximately 31.0% from approximately RMB1,084.5 million as at 31 December 2007 to approximately RMB748.7 million as at 31 December 2008. The decreased bank loan was primarily due to the settlement of bank loans by using our internally generated fund for the year ended 31 December 2008.

Our total interest-bearing bank loans and government loans balance slightly decreased by approximately 2.8% from approximately RMB748.7 million as at 31 December 2008 to approximately RMB727.7 million as at 31 August 2009, which decrease is mainly attributable to the settlement of our long term bank loans by using our internally generated fund for the eight months ended 31 August 2009.

The nature of our interest bearing bank loans and government loans are shown as follows:

	Effective interest rate	Maturity	As at 31 December 2006	2007	2008	As at 31 August 2009	Nature
			RMB million	RMB million	RMB million	RMB million	
Current							
Bank loans – secured	4.860%~7.290%	2007~2010	255.3	685.5	296.6	75.2	Purchase of raw materials
Bank loans – secured	0.790%~10.670%	2007~2010	125.7	124.9	341.1	545.5	Working capital
Government loans	5.580%	On demand	6.4	3.4	–	–	Working capital
Other borrowings	5.850%	On demand	3.6	–	–	–	Working capital
Current portion of long term bank loans – secured	5.760%~6.353%	2007~2008	–	109.5	–	–	Purchase of plant and equipment
Current portion of long term bank loans – secured	5.670%~7.524%	2007~2010	13.9	161.2	–	17.0	Working capital
			404.9	1,084.5	637.7	637.7	
Non-current							
Bank loan – secured	3.680%	2008~2011	117.1	–	–	–	Purchase of plant and equipment
Bank loan – secured	5.580%~9.828%	2008~2011	168.5	–	111.0	90.0	Working capital
			690.5	1,084.5	748.7	727.7	

Our Directors expect that, other than the net proceeds from the New Issue, we will repay the above outstanding loans as and when they fall due by our internally generated resources as well as unutilised banking facilities. Moreover, out of the total interest-bearing loans and government loans of approximately RMB727.7 million as at 31 August 2009, approximately RMB449.2 million of which were guaranteed by certain of our related parties, please refer to note 34(c) in Appendix I to this prospectus for details of such guarantees. Save for those bank loans which were guaranteed by our related parties and we intend to settle before the Listing, we have already obtained the consents from the relevant banks that they principally agree to continue to provide borrowings to our Group even though the existing guarantees provided by related parties to be replaced by the guarantees from our Group upon Listing.

Government grants

As at 31 December 2006, 2007 and 2008 and 31 August 2009, government grants mainly represented funds received in advance from local finance bureau to encourage our Group's technological innovation and improvement for which related expenditure has not yet been undertaken. These government grants are conditional, non-recurring and considered and approved on project basis. In addition, these government grants are assets related and will be recognised as income over the life of a depreciable asset by way of a reduced depreciation charge.

Current and quick ratios

Our current ratio decreased from approximately 1.1 as at 31 December 2006 to approximately 0.8 as at 31 December 2007, and our quick ratio decreased from approximately 0.8 as at 31 December 2006 to approximately 0.5 as at 31 December 2007. The decrease in both ratios was mainly contributed by the increase in the current portion of bank loans by approximately RMB686.2 million as at 31 December 2007 as a result of (i) the reclassification of the non-current portion of long term bank loan of approximately RMB270.7 million from non-current liabilities as at 31 December 2006 to current liabilities as at 31 December 2007; and (ii) the increase in our short-term bank loans by approximately 112.7% from approximately RMB381.0 million as at 31 December 2006 to approximately RMB810.4 million as at 31 December 2007 for the purchases of raw materials.

The current ratio of our Group increased from approximately 0.8 as at 31 December 2007 to approximately 1.1 as at 31 December 2008, and the quick ratio of our Group maintained at approximately 0.5 as at 31 December 2007 and 2008. The slight increase in current ratio was primarily attributable to the decrease of our short-term interest-bearing bank loans from approximately RMB1,081.1 million as at 31 December 2007 to RMB637.7 million as at 31 December 2008. Out of the decreased amount of approximately RMB443.4 million, RMB232.4 million was repaid by our internally generated funds and the remaining RMB111.0 million was extended into long-term bank loans.

Our current ratio increased from approximately 1.1 as at 31 December 2008 to 1.2 as at 31 August 2009, and our quick ratio increased from approximately 0.5 as at 31 December 2008 to approximately 0.8 as at 31 August 2009. The increase in both ratios is primarily resulted from (i) our net operating cash inflow in an amount of approximately RMB151.3 million for the eight months ended 31 August 2009; and (ii) the decrease in our inventory balance by 29.5% from approximately RMB710.7 million as at 31 December 2008 to approximately RMB500.9 million as at 31 August 2009 as a result of the tightened inventory level control adopted by our Group during the eight months ended 31 August 2009.

Gearing ratio

Our gearing ratio decreased from approximately 63.3% as at 31 December 2006 to approximately 62.7% as at 31 December 2007. It further decreased to approximately 38.8% as at 31 December 2008 and approximately 35.1% as at 31 August 2009.

The slight decrease in our gearing ratio from 2006 to 2007 is mainly due to the combined effect of the increase in inventory from approximately RMB224.8 million as at 31 December 2006 to approximately RMB428.5 million as at 31 December 2007, the increase in trade receivable from approximately RMB165.7 million as at 31 December 2006 to approximately RMB279.3 million as at 31 December 2007 and such increases were partially offset by the increase in short-term bank loan from approximately RMB381.0 million as at 31 December 2006 to approximately RMB810.4 million as at 31 December 2007 which was mainly used to finance the purchase of raw materials for the year ended 31 December 2007.

The gearing ratio of our Group decreased from approximately 62.7% as at 31 December 2007 to approximately 38.8% as at 31 December 2008. The decrease was mainly attributable to the combined effect of (i) the settlement of bank and government loans which decreased from approximately RMB1,084.5 million as at 31 December 2007 to approximately RMB748.7 million as at 31 December 2008 due to the decrease in the number of short-term loans for the purchase of raw materials and the repayment of certain short-term bank loans as explained under the sub-paragraphs headed "Interest-bearing loans and government loans" and "Current and quick ratios" above; and (ii) increase in total assets by approximately 12.1% from approximately RMB1,773.8 million as at 31 December 2007 to approximately RMB1,987.8 million as at 31 December 2008 that was primarily resulted from our net operating cash inflow in amount of approximately RMB415.5 million for the year ended 31 December 2008 when compared with that of net operating cash outflow in amount of approximately RMB226.1 million for the year ended 31 December 2007, and which led to the balance of cash and cash equivalents increase from approximately RMB149.8 million as at 31 December 2007 to approximately RMB160.2 million as at 31 December 2008, accordingly.

Our gearing ratio decreased from approximately 38.8% as at 31 December 2008 to approximately 35.1% as at 31 August 2009. The decrease is mainly attributable to (i) the increase in total assets by approximately 9.1% from approximately RMB1,978.8 million as at 31 December 2008 to approximately RMB2,158.1 million as at 31 August 2009, which in turn is primarily due to increase in our deposit paid for the purchase of items of property, plant and equipment for our new production line in Lianyungang, Jiangsu Province, the PRC; and (ii) the increase in our cash and bank balances as at 31 August 2009 as a result of the net cash inflow from our operations and from the sales of our production line during the eight months ended 31 August 2009.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Liquidity

The following table summarises our cash flows during the Track Record Period:

	Year ended 31 December			Eight months ended 31 August	
	2006	2007	2008	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax	54,099	98,575	317,968	258,240	348,710
Adjustments for:					
Finance costs	43,185	45,439	65,186	39,418	28,778
Bank interest income	(1,304)	(2,096)	(4,546)	(1,629)	(3,294)
Gain on collection of a held-to-maturity investment	(14)	–	–	–	–
Loss/(gain) on disposal of items of property, plant and equipment, net	175	1,648	–	–	(26,450)
Depreciation	24,832	27,119	35,259	23,461	23,569
Amortisation of prepaid land lease payments	2,153	2,153	2,153	1,436	1,436
Impairment of trade receivables	4,055	1,071	82	413	4,154
Impairment/(reversal of impairment) of deposits and other receivables	15	(71)	(586)	99	(555)
Share of profit of a jointly-controlled entity	(2,475)	–	–	–	–
	124,721	173,838	415,516	321,438	376,348
Decrease/(increase) in inventories	31,343	(202,323)	(282,156)	(216,746)	209,799
Decrease/(increase) in trade receivables	(81,608)	(108,172)	38,996	(9,618)	(341,511)
Decrease/(increase) in prepayments, deposits and other receivables	(14,144)	(158,978)	164,840	38,685	(6,645)
Decrease/(increase) in pledged deposits	31,322	13,447	(86,795)	(38,682)	50,995
Increase/(decrease) in trade and bills payables	(53,812)	(30,207)	114,881	252,240	70,314
Increase/(decrease) in other payables and accruals	(24,154)	163,612	150,126	40,556	(145,795)
Increase/(decrease) in an amount due to the ultimate shareholder	32,236	(18,833)	(11,056)	(24,663)	10,416
Increase in government grants	316	318	1,513	–	530
Cash generated from/(used in) operations	46,220	(167,298)	505,865	363,210	224,451
Interest received	1,304	2,096	4,546	1,629	3,294
Interest paid	(43,170)	(46,066)	(65,321)	(38,867)	(29,378)
Corporate income tax paid	–	(14,845)	(29,618)	(31,730)	(47,724)
Net cash inflow/(outflow) from operating activities	4,354	(226,113)	415,472	294,242	150,643

	Year ended 31 December			Eight months ended 31 August	
	2006	2007	2008	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
CASH FLOWS FROM INVESTING ACTIVITIES					
Dividends received from a jointly-controlled entity	3,450	1,879	–	–	–
Purchases of items of property, plant and equipment	(16,952)	(139,020)	(67,405)	(19,742)	(139,011)
Capital contribution received	12,771	3,505	–	–	–
Proceeds from collection of a held-to-maturity investment	418	–	–	–	–
Proceeds from disposal of items of property, plant and equipment	–	–	–	–	116,167
Acquisition of a subsidiary	–	(2,748)	(4,000)	(4,000)	–
Net cash outflow from investing activities	(313)	(136,384)	(71,405)	(23,742)	(22,844)
CASH FLOWS FROM FINANCING ACTIVITIES					
New bank loans and government loans	937,843	1,594,691	2,354,283	1,388,606	1,255,856
Repayment of bank loans and government loans	(908,599)	(1,193,078)	(2,683,046)	(1,514,628)	(1,276,889)
Dividends paid	–	–	–	–	(49,715)
Net cash inflow/(outflow) from financing activities	29,244	401,613	(328,763)	(126,022)	(70,748)
NET INCREASE IN CASH AND CASH EQUIVALENTS	33,285	39,116	15,304	144,478	57,051
Exchange realignment	(2,711)	(4,545)	(4,859)	(5,978)	(32)
Cash and cash equivalents at beginning of year/period	84,646	115,220	149,791	149,791	160,236
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	115,220	149,791	160,236	288,291	217,255
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS					
Cash and bank balances	89,434	113,694	41,765	73,022	104,728
Pledged bank deposits with original maturity of less than three months when acquired	25,786	36,097	118,471	215,269	112,527
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	115,220	149,791	160,236	288,291	217,255

Financial resources and capital structure

Capital structure

We had net current assets of approximately RMB86.7 million, RMB81.2 million and RMB296.0 million as at 31 December 2006 and 2008 and 31 August 2009 respectively and a net current liabilities of approximately RMB223.3 million as at 31 December 2007. The net current liabilities as at 31 December 2007 was mainly ascribed to the reclassification of the current portion of long term bank loans of approximately RMB270.7 million from non-current liabilities as at 31 December 2006 to current liabilities as at 31 December 2007 and such loans were mainly used for financing our working capital. We restored to a net current asset of approximately RMB81.2 million as at 31 December 2008, which was mainly attributable to the substantial increase in our sales which generated a net operating cash inflow of approximately RMB415.5 million for the year ended 31 December 2008 and the renewal of certain long term bank loans when they fell due during the year ended 31 December 2008. We recorded a significant increase of RMB214.8 million in the net current asset of our Group from RMB81.2 million as at 31 December 2008 to approximately RMB296.0 million as at 31 August 2009, which increase is mainly attributable to the combined effect of (i) a decrease in inventories of approximately RMB209.8 million; (ii) an increase in trade receivables of approximately RMB341.5 million; and (iii) a decrease in other payables and accruals of approximately RMB145.8 million as discussed under the sub-paragraphs headed "Inventories and inventory turnover days", "Trade receivables and debtors' turnover days" and "Other payables and accruals" under the paragraph headed "Analysis of major statements of financial position items and financial ratios" in this section.

Cash flows

We generally finance our operations through a combination of shareholders' equity, internally generated cash flows and bank borrowings. Following completion of the Global Offering, we expect to finance our capital expenditure and operational requirements through internally generated cash flows, net proceeds from the New Issue, our cash reserve and bank borrowings.

As at 31 August 2009, we had cash and bank balances of approximately RMB104.7 million and undrawn banking facilities of approximately RMB1,235.9 million.

Net cash flows from operating activities

Our major operating cash flows during the Track Record Period were the sales and receipts of our steel pipes and payments for the purchase of raw materials for the manufacturing of our steel pipe products.

We had a net cash inflow from operating activities of approximately RMB4.4 million for the year ended 31 December 2006, while our operating profit before changes in working capital for the same period was approximately RMB124.7 million. The operating cash outflow of approximately RMB120.4 million was primarily due to the composite effect of (i) an increase in trade receivables of approximately RMB81.6 million; (ii) a decrease in trade and bills payables of approximately RMB53.8 million; and (iii) a decrease in other payables and accruals of approximately RMB24.2 million as discussed under the sub-paragraphs headed "Trade receivables and debtors' turnover days", "Trade payables and creditors' turnover days" and "Other payables and accruals" under the paragraph headed "Analysis of major statements of financial position items and financial ratios" in this section.

We had a net cash outflow from operating activities of approximately RMB226.1 million for the year ended 31 December 2007, while our operating profit before changes in working capital for the same period was approximately RMB173.8 million. The operating cash outflow of approximately RMB399.9 million was primarily due to (i) an increase in inventories of RMB202.3 million; (ii) an increase in trade receivables of RMB108.2 million; and (iii) an increase in prepayments, deposits and other receivables of RMB159.0 million as discussed under the sub-paragraphs headed "Inventories and inventory turnover days", "Trade receivables and debtors' turnover days" and "Prepayments, deposits and other receivables" under the paragraph headed "Analysis of major statements of financial position items and financial ratios" in this section.

We had a net cash inflow from operating activities of approximately RMB415.5 million for the year ended 31 December 2008, while our operating profit before changes in working capital for the same period was also approximately RMB415.5 million. The operating cash inflow remained relatively constant, which was resulted from (i) a decreased in trade receivables of RMB39.0 million; (ii) a decrease in prepayments, deposits and other receivables of RMB164.8 million; (iii) an increase in trade and bills payable of RMB114.9 million; and (iv) an increase in other payables and accruals of approximately RMB150.1 million as discussed under the sub-paragraphs headed "Trade receivables and debtors' turnover days", "Prepayments, deposits and other receivables", "Trade and bills payables and creditors' turnover days" and "Other payables and accruals" under the paragraph headed "Analysis of major statements of financial position items and financial ratios" in this section.

We had a net cash inflow from operating activities of approximately RMB150.6 million for the eight months ended 31 August 2009, while our operating profit before changes in working capital for the same period was approximately RMB376.3 million. The operating outflow of approximately RMB225.7 million is primarily due to the combined effect of (i) a decrease in inventories of approximately RMB209.8 million; (ii) an increase in trade receivables of approximately RMB341.5 million; and (iii) a decrease in other payables and accruals of approximately RMB145.8 million as discussed under the sub-paragraphs headed "Inventories and inventory turnover days", "Trade receivables and debtors' turnover days" and "Other payables and accruals" under the paragraph headed "Analysis of major statements of financial position items and financial ratios" in this section.

Net cash flows from investing activities

The major cash outflows of our investing activities during the Track Record Period were our capital expenditures for property, plant and equipment for the expansion of our production capacities.

Our net cash outflow from investing activities increased from approximately RMB0.3 million for the year ended 31 December 2006 to approximately RMB136.4 million for the year ended 31 December 2007. The substantial increase was mainly attributable to the investment of our new JCOE production line in Zhangjiagang, Jiangsu Province, the PRC. The construction of such production line commenced and completed in March and October 2007 respectively.

Our net cash used in investing activities decreased from approximately RMB136.4 million for the year ended 31 December 2007 to approximately RMB71.4 million for the year ended 31 December 2008. The substantial decrease was mainly attributable to the decrease in our investment in the capital expenditure of our new JCOE production line in Zhangjiagang, Jiangsu Province, the PRC since the major construction works of such production line has been completed in October 2007. For the year ended 31 December 2008, the cash outflow for the acquisition of a subsidiary of approximately RMB4.0 million represented the settlement of the remaining consideration payable under the acquisition of Haulong Anti-Corrosion.

Our net cash outflow from investing activities for the eight months ended 31 August 2009 amounted to approximately RMB22.8 million, which is comparable to the amount of net cash outflow from investing activities of approximately RMB23.7 million for the eight months ended 31 August 2008. The net cash outflow from investing activities for the eight months ended 31 August 2009 is mainly resulted from the combined effect of (i) the payment of RMB139.0 million which was mainly related to our Group's development of a new production line which was under construction in the Jiangyin branch of PCKSP in 2009; and (ii) the proceeds from our disposal of certain items of property, plant and equipment that were mainly attributable to the sale of our production facilities in Zhangjiagang, Jiangsu Province, the PRC under our Group's new development and expansion plan.

Net cash flows from financing activities

Our financing activities during the Track Record Period mainly included proceeds from and repayments of bank loans and government loans.

Our net cash inflow from financing activities increased from approximately RMB29.2 million for the year ended 31 December 2006 to approximately RMB401.6 million for the year ended 31 December 2007. The increase was mainly attributed to a composite effect of (i) the increase in the short-term bank borrowings of approximately RMB1,594.7 million to finance our purchase of raw materials in order to cope with the sales orders received in the fourth quarter of 2007, which was higher than that for the same period in 2006; and (ii) the total amount of bank loan that we repaid during the year ended 31 December 2007 was more than that for the year ended 31 December 2006.

For the year ended 31 December 2007, our net cash inflow from financing activities amounted to approximately RMB401.6 million, whereas, for the year ended 31 December 2008, we had a net cash outflow from financing activities of approximately RMB328.8 million. The change from cash inflow to cash outflow during the two periods of review was mainly due to the fact that we repaid a significant amount of bank loan by cash generated from our operating activities as explained under the sub-paragraphs headed "Current and quick ratios" above.

Our net cash outflow from financing activities decreased from approximately RMB126.0 million for the eight months ended 31 August 2008 to approximately RMB70.7 million for the eight months ended 31 August 2009. Such decrease is mainly attributable to the borrowing of new interest-bearing bank loans of approximately RMB1,255.9 million, the repayment of bank loans of RMB1,276.9 million and dividends payment of RMB49.7 million during the eight months ended 31 August 2009.

Capital expenditure management

Our capital expenditures during the Track Record Period mainly related to acquisition of plant and machinery and construction for the expansion of our production facilities. Our capital expenditures for each of the three financial years ended 31 December 2008 and for the eight months ended 31 August 2009 amounted approximately RMB22.2 million, RMB131.4 million, RMB57.1 million and RMB106.1 million, respectively. The increase in our capital expenditure for the year ended 31 December 2007 mainly represented the cost of the establishment of our new production line in Zhangjiagang, Jiangsu Province, the PRC amounted to approximately RMB91.0 million, of which, approximately RMB85.0 million was paid for the acquisition of machinery for such production line.

In order to meet the expected growth in demand for the steel pipes, our Directors believe that sufficient capital expenditure investment will be fundamental to our expansion plans, details of which are set out in the section headed "Future plans and use of proceeds" in this prospectus. Among others, we expect to spend (i) approximately RMB765.4 million (equivalent to approximately HK$872.6 million) out of the net proceeds from the New Issue for the establishment of a new production base in Lianyungang, Jiangsu Province, the PRC in addition to our existing production facilities as disclosed under the paragraph headed "Production facilities" in the section headed "Business" in this prospectus; and (ii) approximately RMB109.4 million (equivalent to approximately HK$124.7 million) out of the net proceeds from the New Issue for the establishment of one new production line for LSAW steel pipes in relation to the formation of a joint venture at a strategic overseas location (no specific conclusion or legally binding conclusion was made as at the Latest Practicable Date), and the modification and technical enhancement of an ancillary production line in Panyu, Guangdong Province, the PRC into a completed LSAW steel pipes production line, the planned annual production capacity of each production line being 300,000 tonnes; and the remaining proceeds for the potential partnership with and potential acquisition of other steel pipes manufacturers and/or other complementary production facilities (no target had yet been identified as at the Latest Practicable Date).

We expect to meet the future capital expenditure requirements through our available cash and cash equivalents, cash generated from our operating activities, available banking facilities and the expected net proceeds from the New Issue. The following table sets out the amount of our capital expenditures and capital commitments during the Track Record Period, the capital commitment existed as at the Latest Practicable Date and our estimate of future capital expenditures for the three years ending 31 December 2011:

	Year ended 31 December			Eight months ended 31 August
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Capital expenditure	22,150	131,429	57,099	106,093
Capital commitment	120,659	91,002	105,718	441,390

	Year ended 31 December	Year ending 31 December	
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Estimated capital expenditure budget	120,354	867,000	266,000

Our Directors expected that the estimated capital expenditure budget will be financed by the net proceeds form the New Issue, our internal financial resources and banking facilities.

Working capital management

We finance our working capital requirements primarily through cash flow from our operating activities as well as bank borrowings. During the Track Record Period, our Group recorded a net cash inflow from our operating activities of approximately RMB4.4 million, RMB415.5 million and RMB150.6 million for the years ended 31 December 2006 and 2008, and for the eight months ended 31 August 2009, respectively, and a net cash outflow from our operating activities of approximately RMB226.1 million for the year ended 31 December 2007. During the Track Record Period, due to the payment terms requested by our major suppliers whereby we needed to make an upfront deposit representing approximately 10% to 30% of the total purchase amounts with the remaining balances to be settled by cash, telegraphic transfer or bank acceptance notes on or before delivery, our funding requirement for the purchase of raw materials would become more intense as more sales we make. Although we could use bank acceptance notes to settle some of the payments to our suppliers, only a few of our suppliers accepted such payment method and the payment made by such method only accounted for approximately 15.7% and 17.2% respectively of our total purchases for the two years ended 31 December 2007. However, since late 2008, an increasing number of our suppliers have eased payment terms of our purchases by not requiring us to pay any upfront deposit in view of the then adverse market conditions as a result of the global economic turmoil. Instead, the suppliers accept our bank acceptance notes which provide various payment periods. In addition, by placing bulk purchasing orders to them, we are able to bargain for an extended credit period ranging from 30 days to 60 days from more and more suppliers. In this regard, the increased liquidity enables our Group to deploy other trade financing arrangements for our purchases, daily operations and expansion. In order to further maintain our liquidity, we mainly utilised short-term bank loan, which in substance is a kind of trade financing, to finance the purchase of raw materials during the Track Record Period. As a result, our short-term bank loan increased substantially by approximately RMB429.4 million from approximately RMB381.0 million as at 31 December 2006 to approximately RMB810.4 million as at 31 December 2007. However, in view of the rising interest rate for short-term bank loans in the PRC, we have sought for alternative financing instrument to finance our working capital requirement. Since the end of 2007, we started to enter into certain forfeiting arrangement with local banks in the PRC whereby we sold certain letters of credits to the banks at a discount for immediate funds. For the eight months ended 31 August 2009, our Group did not enter into any forfeiting arrangement because our Group maintained sufficient operating cash flow for our daily operation during the period.

In order to improve our liquidity position, we have adopted a stringent working capital management policy, the principal strategies of which include, without limitation, closely reviewing the future cash flow requirements and the ability to meet debt repayment schedules when they fall due, maintaining a reasonable level of available banking facilities and adjusting investment plans and financing plans, if necessary, to ensure that our Group has a reasonable level of working capital to support our business operation. Our Directors believe that, with the net proceeds from New Issue, our liquidity position will be substantially improved after the Listing and we intend to maintain our current ratio at not less than 1.0 after the Listing.

Directors' opinion on the sufficiency of our working capital

Taking into account the financial resources available to our Group, including internally generated funds, the available banking facilities and the estimated net proceeds from the New Issue, our Directors are of the opinion that we have sufficient working capital for our present requirements, that is, for at least the next 12 months from the date of this prospectus.

INDEBTEDNESS

Borrowing and banking facilities

As at the close of business on 30 November 2009, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this prospectus, we had total debts of approximately RMB769.0 million, details of which are set forth below:

	Secured	**Unsecured**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Short-term bank borrowings	373,434	–	373,434
Long-term bank borrowings	377,000	–	377,000
Amount due to the ultimate shareholder	–	18,516	18,516
Total	750,434	18,516	768,950

As at the close of business on 30 November 2009, we had aggregate banking facilities of approximately RMB2,339.0 million, of which RMB1,257.6 million were unutilised.

Our Directors confirm that the above balance due to the ultimate shareholder will be settled prior to the Listing.

Net current assets as at 30 November 2009

As at 30 November 2009, being the latest practicable date for the preparation of the indebtedness statement in this prospectus, we had net current assets of approximately RMB454.0 million, comprising current assets of approximately RMB1,438.6 million and current liabilities of approximately RMB984.6 million. The following table summarises the details of our unaudited current assets and liabilities as at 30 November 2009:

	RMB'000 (unaudited)
Current assets	
Inventories	527,939
Trade receivables	256,354
Prepayments, deposits and other receivables	207,077
Pledged deposits	362,715
Cash and bank balances	84,498
	1,438,583
Current liabilities	
Trade and bills payables	322,795
Interest-bearing bank loans	373,434
Other payables and accruals	250,618
Tax payable	19,233
Due to the ultimate shareholder	18,516
	984,596
Net current assets	453,987

Capital commitment

As at the close of business on 30 November 2009, we had capital commitments contracted but not provided for in respect of acquisition of property, plant and equipment of approximately RMB274 million.

Contingent liabilities

The following table sets out our contingent liabilities not provided for as at each of the dates indicated:

	As at 31 December			**As at 31 August**	**As at 30 November**
	2006	**2007**	**2008**	**2009**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Guarantees given to banks in connection with facilities granted to:					
Related parties	29,680	25,800	–	–	–

Off-balance sheet arrangements

As at 30 November 2009, being the latest practicable date for the purpose of the indebtedness statement prior to the printing of this prospectus, we did not entered into any off-balance sheet arrangements.

Disclaimer

Save as disclosed herein, and apart from intra-group liabilities, we did not have any outstanding mortgages, charges, debentures, loan capital issued or agreed to be issued, bank overdrafts, loans and advances, debt securities borrowing or other similar indebtedness, finance lease commitments, hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities outstanding at 30 November 2009, being the latest practicable date for the purpose of this indebtedness statement. Our Directors have confirmed that there has been no material adverse change in our indebtedness and contingent liabilities since 30 November 2009, being the latest practicable date for the purposes of this indebtedness statement prior to the printing of this prospectus.

MARKET RISKS

Interest rate risk

Our Group's exposure to the risk of changes in market interest rates relates primarily to our Group's bank loans and government loans with a floating interest rate. Our Group regularly reviews and monitors the mix of fixed and floating interest rate borrowings in order to manage our interest rate risks. We do not anticipate any significant impact resulting from the changes in interest rates because most of our borrowings as at the balance sheet date were at fixed interest rates which have no significant impact on cash flow interest rate risk.

If there would be a general increase/decrease in the interest rate of bank and other borrowings with floating interest rates by one percentage point, with all other variables held constant, the combined operating results would have been decreased/increased by approximately RMB5.8 million, RMB6.4 million, RMB6.5 million and RMB6.2 million for each of the three years ended 31 December 2008 and the eight months ended 31 August 2009, respectively, and there is no impact on other components of our combined equity, except for retained earnings.

Foreign currency risk

Our Group have transactional currency exposures. Such exposures arise from our sales in currencies other than our functional currency. For each of the three years ended 31 December 2008 and the eight months ended 31 August 2009, approximately 45.5%, 54.9%, 52.3% and 62.8%, respectively, of our sales were denominated in currencies other than our functional currency.

The following table demonstrates the sensitivity at the balance sheet date to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of our profit before tax (due to changes in the fair value of monetary assets and liabilities).

Effect on profit before tax

		Year ended 31 December			Eight months ended 31 August
		2006	**2007**	**2008**	**2009**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Increase in US dollar rate	+3%	15,003	24,807	42,654	36,225
Decrease in US dollar rate	-3%	(15,003)	(24,807)	(42,654)	(36,225)

Credit risk

Our Group has no concentration of credit risk. Our cash and cash equivalents are mainly deposits with state-owned banks in the PRC.

The carrying amounts of trade and other receivables, cash and cash equivalents included in the combined balance sheets represent our Group's maximum exposure to credit risk in relation to its financial assets. Our Group has no other financial assets which carry significant exposure to credit risk.

Liquidity risk

Our objective is to ensure continuity of sufficient funding and flexibility by utilising a variety of bank loans and government loans with debt maturities spreading over a range of periods, thereby ensuring that our outstanding borrowing obligation is not exposed to excessive repayment risk in any one year. Due to the capital intensive nature of our Group's businesses, we ensure that we maintain sufficient cash and credit lines to meet our liquidity requirements.

Our liquidity is primarily dependent on our ability to maintain adequate cash inflows from operations to meet our debt obligations as they fall due, and our ability to obtain external financing to meet our committed future capital expenditure. With regards to our future capital commitments and other financing requirements, we have already obtained banking facilities with several PRC banks of up to an amount of RMB1,977 million as at 31 August 2009, of which an amount of approximately RMB741 million has been utilised.

PROFIT ESTIMATE FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

The following unaudited pro forma estimated earnings per Share for the financial year ended 31 December 2009 has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Global Offering as if it had taken place on 1 January 2009. This unaudited pro forma estimated earnings per Share has been prepared for illustrative purposes only and, because of its nature, it may not give a true picture of the financial results of the Group following the Global Offering.

	For the year ended 31 December 2009
Estimated combined net profit attributable to the equity holders of our Company for the financial year ended 31 December 2009	not less than RMB400.0 million (about HK$456.0 million equivalent)
Unaudited pro forma estimated earnings per Share *(Note 2)*	not less than RMB0.400 (about HK$0.456 equivalent)

Notes:

1. 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, respectively, according to the financial information prepared by the management of our Group, representing approximately 27.2% and 41.8%, respectively, of our total revenue and total gross profit during the relevant period. 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.

2. The calculation of the unaudited estimated earnings per Share on a pro forma basis is based on the estimated combined net profit attributable to equity holders of our Company for the financial year ended 31 December 2009 assuming that our Company had been listed on the Main Board since 1 January 2009 and a total of 1,000,000,000 Shares (including the Shares in issue as at 1 January 2009, Shares under the Capitalisation Issue and the Global Offering) had been in issue during that financial year, but does not take into account any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme or which may be allotted and issued or repurchased by our Company pursuant to the general mandates for the allotment and issue or repurchase of the Shares referred to under the paragraph headed "Resolutions in writing of the sole Shareholder passed on 23 January 2010" in Appendix VI to this prospectus.

3. 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.

– Our Group's estimated profit for the year ended 31 December 2009 was not affected by anti-dumping or countervailing measures imposed by the US, EU and other countries during the relevant period.

– Other than the anti-dumping or countervailing measures imposed by the US, EU 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, Jiangsu Province, the PRC commenced production 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 of our Group, 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 of our Group, 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 of our Group, 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.

– There was no material changes in foreign currency exchanges rates, interest rates and inflation rates from those currently prevailing.

DIVIDEND POLICY

In February 2009 and April 2009, Lessonstart declared a special dividend of a total sum of HK$56.4 million to its then sole shareholder, namely, Bournam. There can be no assurance that in the future we will pay dividends at a similar level to the past or at all, and potential investors should be aware that the amount of dividends we paid in the past should not be used as a reference or basis upon which future dividends are determined. The payment and the amount of any dividends in future will depend on various factors, including but not limited to, the results of operations, cash flows, financial position, statutory and regulatory restrictions on the payment of dividends by us and future prospects. Holders of the Shares will be entitled to receive such dividends pro rata according to the amounts paid up or credited as paid up on the Shares. The declaration, payment, and amount of dividends will be subject to our Board's discretion.

Dividends may be paid only out of our distributable profits as permitted under the relevant laws. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations. There can be no assurance that we will be able to declare or distribute any dividend in the amount set out in any of our plans or at all. Our dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future.

Subject to the foregoing, our Directors currently intend to recommend dividends which would amount in total to not less than 30% of the net profit attributable to our Shareholders for full financial years subsequent to the Global Offering. Such intention does not amount to any guarantee or representation or indication that we must or will declare and pay dividend in such manner or declare and pay any dividend at all. Cash dividends on the Shares, if any, will be paid in Hong Kong dollars.

DISTRIBUTABLE RESERVES

As at 31 August 2009, we had reserves amounting to approximately RMB520.8 million available for distribution to the Shareholders.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors have confirmed that, as at the Latest Practicable Date, they were not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

PROPERTY INTERESTS

Particulars of the property interests of our Group are set out in Appendix IV to this prospectus. LCH (Asia-Pacific) Surveyors Limited, an independent property valuer, has valued our property interests as at 30 November 2009. A summary of values and valuation certificate issued by LCH (Asia-Pacific) Surveyors Limited are included in Appendix IV to this prospectus.

The table below sets forth the reconciliation of the net book value of our Group's property interests as at 31 August 2009 and the valuation of such property interests as at 30 November 2009:

	RMB'000
Net book value of the property interests as at 31 August 2009 (audited)	174,231
Less: Depreciation for the three months ended 30 November 2009	(1,090)
Net book value of the property interests as at 30 November 2009 (unaudited)	173,141
Add: Valuation surplus as of 30 November 2009	108,631
Valuation as of 30 November 2009 as per Appendix IV to this prospectus (HK$321,220,000)	281,772

UNAUDITED PRO FORMA STATEMENT OF NET TANGIBLE ASSETS

The following statement of unaudited pro forma adjusted net tangible assets of our Group prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only, and is set out here to illustrate the effect of the Global Offering on the audited combined net tangible assets of our Group as at 31 August 2009, as shown in the accountants' report, the text of which is set out in Appendix I to this prospectus and adjusted as follows.

The unaudited pro forma adjusted net tangible assets of our Group has been prepared for illustrative purposes only and, because of its nature, it may not give a true picture of the financial position of our Group.

The following is an illustrative statement of unaudited pro forma adjusted combined net tangible assets of our Group, which has been prepared for the purpose of illustrating the effect of the Global Offering as if it had taken place on 31 August 2009. It is based on the audited combined net tangible assets attributable to equity holders of the parent as at 31 August 2009 as shown in the accountants' report of our Group, the text of which is set out in Appendix I to this prospectus, and is adjusted as follows:

	Audited combined net tangible assets attributable to equity holders of the parent as at 31 August 2009	Estimated net proceeds receivable by the Company from the Global Offering	Unaudited pro forma adjusted combined net tangible assets	Unaudited pro forma adjusted combined net tangible assets per Share	Unaudited pro forma adjusted combined net tangible assets per Share
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*(HK$ equivalent)*
	(Note 1)	*(Note 2)*		*(Note 3)*	*(Note 4)*
Based on the maximum indicative Offer Price of HK$6.15 per Share	847,991	1,293,026	2,141,017	2.14	2.44
Based on the minimum indicative Offer Price of HK$4.50 per Share	847,991	941,855	1,789,846	1.79	2.04

Notes:

1. The combined net tangible assets attributable to equity holders of the parent as at 31 August 2009 is calculated as follows:

	RMB'000
Audited combined net assets of the Group as set out Appendix I	852,066
Less: Goodwill	(4,075)
Combined net tangible assets attributable to equity holders of the parent	847,991

2. The estimated net proceeds from the Global Offering are based on the Offer Shares and the Offer Price of HK$4.50 or HK$6.15 per Share, being the low or high end of the stated offer price range, after deduction of the underwriting fees and related expenses incurred by the Company since 1 September 2009 and takes no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandates for the allotment and issue or repurchase of our Shares referred to under "Resolutions in writing of the sole Shareholder passed on 23 January 2010" in Appendix VI to this prospectus. The estimated net proceeds from the Global Offering are converted from HK dollars into Renminbi at an exchange rate of RMB1.00 to HK$1.14.

3. The unaudited pro forma adjusted combined net tangible assets per Share is arrived at after making the adjustments set forth under the paragraph headed "Unaudited pro forma adjusted combined net tangible assets" in Appendix II in this prospectus and on the basis of a total of 1,000,000,000 Shares in issue immediately following the completion of the Global Offering without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandates for the allotment and issue or repurchase of our Shares referred to under "Resolutions in writing of the sole Shareholder passed on 23 January 2010" in Appendix VI to this prospectus.

4. The unaudited pro forma adjusted combined net tangible assets per Share is converted into Hong Kong dollars at an exchange rate of RMB1.00 to HK$1.14. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate or at any other rates or at all.

5. Details of the valuations of our Group's properties as at 30 November 2009 are set out in Appendix IV to this prospectus. The revaluation surplus or deficit of properties included in buildings held for own use, assets under construction, land use rights and properties under development will not be incorporated in our Group's financial statements for the year ended 31 December 2009. If the revaluation surplus was recorded in our Group's financial statements for the year ended 31 December 2009, the annual depreciation charges would increase by approximately RMB2,642,000.

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that they are not aware of any material adverse change in our financial or trading position or prospects since 31 August 2009, being the date on which our latest audited combined financial statements were made up, the text of which is set out in Appendix I to this prospectus.

FUTURE PLANS

Please refer to the paragraph headed "Our strategies" in the section headed "Business" in this prospectus for a detailed description of our future plans.

PROPOSED USE OF NET PROCEEDS FROM THE NEW ISSUE

Our Directors intend to apply the net proceeds from the New Issue to finance our capital expenditure and business expansion, strengthen our capital base and improve our overall financial position. Assuming that the Over-allotment Option is not exercised and based on the Offer Price of HK$5.33 per Offer Share (being the mid-point of the indicative Offer Price range between HK$4.50 and HK$6.15 per Offer Share), the net proceeds from the New Issue, after deduction of underwriting commission and estimated expenses payable by the Company, are estimated to be approximately HK$1,246.6 million. Our Directors currently intend to apply such net proceeds from the New Issue as follows:

- as to approximately HK$872.6 million (equivalent to approximately RMB765.5 million) or approximately 70% of the net proceeds from the New Issue, for the planned establishment of a new production base in Lianyungang, Jiangsu Province, the PRC in addition to our existing production facilities as disclosed under the paragraph headed "Production facilities" in the section headed "Business" in this prospectus, with a view to capturing business opportunities in Yangtze delta area, of which as to approximately HK$262.0 million (equivalent to approximately RMB229.8 million) or 21% is expected to be used for the purchase of a parcel of land required, as to approximately HK$87.3 million (equivalent to approximately RMB76.6 million) or 7% is expected to be used for the construction of the building structures to house the production facilities and as to approximately HK$436.0 million (equivalent to approximately RMB382.5 million) or 35% is expected to be used for the purchase of the production equipment and machinery which includes a new JCOE production line to be used for the manufacture of LSAW steel pipes with an annual production capacity of approximately 300,000 tonnes of LSAW steel pipes and an ancillary steel plate processing line to provide the requisite processing service of steel plates for, among others, our production of steel pipes; and as to the remaining of approximately HK$87.3 million (equivalent to approximately RMB76.6 million) or 7% for the acquisition of other ancillary production facilities such as a casing pipe production line for the above-mentioned new production base in Lianyungang, Jiangsu Province, the PRC;

- as to approximately HK$124.7 million (equivalent to approximately RMB109.4 million) or approximately 10% of the net proceeds from the New Issue, among which 9.5% for the establishment of one new production line for LSAW steel pipes in relation to the formation of a joint venture at a strategic overseas location (no specific conclusion or legally binding conclusion was made as at the Latest Practicable Date), and the modification and technical enhancement of an ancillary production line in Panyu, Guangdong Province, the PRC into a completed LSAW steel pipes production line, the planned annual production capacity of each production line being 300,000 tonnes; and as to the remaining for the potential partnership with and potential acquisition of other steel pipes manufacturers and/or other complementary production facilities (no target had yet been identified as at the Latest Practicable Date);

- as to approximately HK$62.3 million (equivalent to approximately RMB54.7 million) or approximately 5% of the net proceeds from the New Issue, for the repayment of certain bank loans, the details of which are set out below:

Name of bank	Drawdown date	Maturity date	Total principal amount *RMB'000*	Total amount to be repaid *RMB'000*	Total remaining balance *RMB'000*	Interest rate	Loan purpose
Industrial and Commercial Bank of China (Panyu Branch)	15 May 2009 to 26 October 2009	26 April 2010 to 18 May 2010	67,500	54,700	12,800	4.86% to 5.31%	Purchase of raw materials

- as to approximately HK$24.9 million (equivalent to approximately RMB21.8 million) or approximately 2% of the net proceeds from the New Issue, for the expansion of our overseas distribution network, such as applying approximately RMB17.0 million and RMB4.8 million respectively for the establishment of new marketing team and recruitment of sales and marketing personnel from overseas;

- as to approximately HK$37.4 million (equivalent to approximately RMB32.8 million) or approximately 3% of the net proceeds from the New Issue, for the enhancement of our research and development capability, such as recruitment of additional research and development personnel and dedicate more resources to in-house training; and

- the remaining proceeds will be used as our general working capital.

We will not receive any of the proceeds from the sale of Sale Shares by the Selling Shareholder. Assuming an Offer Price of HK$5.33 per Offer Share (being the mid-point of the indicative Offer Price range between HK$4.50 to HK$6.15 per Offer Share, and assuming that the Over-allotment Option is not exercised), the Selling Shareholder will receive approximately HK$254.9 million after deduction of underwriting commission and estimated expenses payable by the Selling Shareholder.

In the event that the Over-allotment Option is exercised in full and the Offer Price is finally determined at the highest end of the indicative Offer Price range between HK$4.50 to HK$6.15 per Offer Share, the net proceeds of the New Issue will increase by approximately HK$467.4 million to approximately HK$1,714.0 million. Our Directors intend to apply such additional net proceeds for the above usages in the proportions as referred to above.

In the event that the Over-allotment Option is exercised in full and the Offer Price is finally determined at the mid-point of the indicative Offer Price range between HK$4.50 and HK$6.15 per Offer Share, the net proceeds of the New Issue will increase by approximately HK$232.6 million to approximately HK$1,479.2 million. Our Directors intend to apply such additional net proceeds for the above usages in the proportions as referred to above.

In the event that the Over-allotment Option is exercised in full and the Offer Price is finally determined at the lowest end of the indicative Offer Price range between HK$4.50 and HK$6.15 per Offer Share, the net proceeds of the New Issue will reduce by approximately HK$5.0 million to approximately HK$1,241.6 million. In such event, our Directors intend to reduce the intended use of proceeds for the above stated purposes on pro-rata basis and we will finance such shortfall by internal cash resources and/or additional bank borrowings, as and when appropriate.

In the event that the Over-allotment Option is not exercised and the Offer Price is finally determined at the highest end of the indicative Offer Price range between HK$4.50 and HK$6.15 per Offer Share, the net proceeds of the New Issue will increase by approximately HK$198.9 million to approximately HK$1,445.5 million. Our Directors intend to apply such additional net proceeds for the above usages in the proportions as referred to above.

In the event that the Over-allotment Option is not exercised and the Offer Price is finally determined at the lowest end of the indicative Offer Price range between HK$4.50 and HK$6.15 per Offer Share, the net proceeds of the New Issue will reduce by approximately HK$201.4 million to approximately HK$1,045.2 million. In such event, our Directors intend to reduce the intended use of proceeds for the above stated purposes on pro-rata basis and we will finance such shortfall by internal cash resources and/or additional bank borrowings, as and when appropriate.

To the extent that the net proceeds from the New Issue are not immediately required for the above purposes or if we are unable to effect any part of our future development plans as intended, we may hold such funds in short-term deposits with licensed banks and/or authorised financial institutions in Hong Kong and/or the PRC for so long as it is in our best interest. We will also disclose the same in the relevant annual report.

JOINT GLOBAL COORDINATORS

ICBC International Capital Limited

J.P. Morgan Securities (Asia Pacific) Limited

JOINT BOOKRUNNERS OF THE HONG KONG PUBLIC OFFERING

ICBC International Capital Limited

J.P. Morgan Securities (Asia Pacific) Limited

HONG KONG OFFER UNDERWRITERS

Joint Lead Managers of the Hong Kong Public Offering

ICBC International Securities Limited

J.P. Morgan Securities (Asia Pacific) Limited

Co-Managers

Daiwa Capital Markets Hong Kong Limited

First Shanghai Securities Limited

Mizuho Securities Asia Limited

Platinum Securities Company Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company is initially offering for subscription of 30,000,000 New Shares at the Offer Price under the Hong Kong Public Offering, on and subject to the terms and conditions set forth in this prospectus and the related Application Forms. The Hong Kong Offer Underwriters have agreed, severally, but not jointly, on and subject to the terms and conditions in the Hong Kong Underwriting Agreement, to procure subscribers for, or failing which they shall subscribe for, the Hong Kong Offer Shares.

The Hong Kong Underwriting Agreement is subject to various conditions, which include, but without limitation, (i) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus; and (ii) the agreement of the Offer Price on the Price Determination Date. In addition, the Hong Kong Underwriting Agreement is conditional on and subject to the International Placing Underwriting Agreement having been executed, becoming unconditional and not having been terminated.

Grounds for termination

The obligations of the Hong Kong Offer Underwriters to subscribe for, or procure subscribers for, the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination. The Hong Kong Offer Underwriters shall be entitled to terminate their obligations under the Hong Kong Underwriting Agreement upon the occurrence of any of the following events by notice in writing to our Company given by the Joint Global Coordinators (acting on behalf of all the Hong Kong Offer Underwriters) with immediate effect at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date (the "**Termination Time**") if prior to the Termination Time,

(a) there comes to the notice of the Joint Global Coordinators or any of the Hong Kong Offer Underwriters:

(i) any matter or event showing any of the representations, warranties or undertakings (the "**Warranties**") given by us and each of our Controlling Shareholders and two executive Directors (namely Ms. CHEN Zhao Nian and Ms. CHEN Zhao Hua) under the Hong Kong Underwriting Agreement to be untrue, inaccurate or misleading in any material respect when given or repeated or there has been a breach of any of the Warranties or any other provisions of the Hong Kong Underwriting Agreement by any party thereto other than the Hong Kong Offer Underwriters which, in any such cases, is considered, in the sole opinion of the Joint Global Coordinators, to be material in the context of the Hong Kong Public Offering; or

(ii) any statement contained in this prospectus has become or been discovered to be untrue, incorrect or misleading in any material respect; or

(iii) any event, series of events, matters or circumstances occurs or arises on or after the date of the Hong Kong Underwriting Agreement and before the Termination Time, being events, matters or circumstances which, if it had occurred before the date of the Hong Kong Underwriting Agreement, would have rendered any of the Warranties untrue, incorrect or misleading in any material respect, and which is considered, in the sole opinion of the Joint Global Coordinators, to be material in the context of the Hong Kong Public Offering; or

(iv) any matter which, had it arisen or been discovered immediately before the date of this prospectus and not having been disclosed in this prospectus, would have constituted, in the sole opinion of the Joint Global Coordinators, a material omission in the context of the Hong Kong Public Offering; or

(v) any event, act or omission which gives or is likely to give rise to any liability of our Company and any of our executive Directors and our Controlling Shareholders arising out of or in connection with the breach of any of the Warranties; or

(vi) any breach by any party to the Hong Kong Underwriting Agreement other than the Hong Kong Offer Underwriters of any provision of the Hong Kong Underwriting Agreement which, in the sole opinion of the Joint Global Coordinators, is material; or

(b) there shall have developed, occurred, existed, or come into effect any event or series of events, matters or circumstances whether occurring or continuing before, on and/or after the date of the Hong Kong Underwriting Agreement and including an event or change in relation to or a development of an existing state of affairs concerning or relating to any of the following:

(i) any new law or regulation or any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in the BVI, the Cayman Islands, Hong Kong, the PRC or any of the jurisdictions in which our Group operates or has or is deemed by any applicable law to have a presence (by whatever name called) or any other jurisdiction relevant to the business of our Group; or

(ii) any change in, or any event or series of events or development resulting or likely to result in any change in, the BVI, the Cayman Islands, Hong Kong, the PRC or any of the jurisdictions relevant to the business of our Group, the local, regional or international financial, currency, political, military, industrial, economic, stock market or other market conditions or prospects; or

(iii) any change in the conditions of Hong Kong, the PRC, the US or international equity securities or other financial markets; or

(iv) the imposition of any moratorium, suspension or restriction on trading in securities generally on any of the markets operated by the Stock Exchange due to exceptional financial circumstances or otherwise; or

(v) any change or development involving a prospective change in all forms of taxation or exchange control (or the implementation of any exchange control) in the BVI, the Cayman Islands, Hong Kong, the PRC or any of the jurisdictions in which our Group operates or has or is deemed by any applicable law to have a presence (by whatever name called) or other jurisdiction relevant to the business of our Group; or

(vi) any change or prospective change in the business or in the financial or trading position or prospects of any member of our Group; or

(vii) the imposition of economic sanction or withdrawal of trading privileges, in whatever form, by the US, the European Union (or any member thereof) or any of the jurisdictions in which our Group conducts business on Hong Kong or the PRC; or

(viii) a general moratorium on commercial banking activities in the PRC or Hong Kong declared by the relevant authorities; or

(ix) any event of force majeure including, without limiting the generality thereof, any act of God, military action, riot, public disorder, civil commotion, fire, flood, tsunami, explosion, epidemic, terrorism, strike or lock-out,

which, in the sole opinion of the Joint Global Coordinators:

(a) is or will be, or is very likely to be adverse, in any material respect, to the business, financial or other condition or prospects of our Group; or

(b) has or will have or is very likely to have a material adverse effect on the success of the Global Offering or the level of the Offer Shares being applied for or accepted, the distribution of the Offer Shares or the demand or the market price of our Shares following the Listing; or

(c) for any other reason makes it impracticable, inadvisable or inexpedient for the Hong Kong Offer Underwriters to proceed with the Hong Kong Public Offering as a whole.

For the above purpose:

(1) a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the US or a devaluation of the Renminbi against any foreign currencies shall be taken as an event resulting in a change in currency conditions; and

(2) any normal market fluctuations shall not be construed as events or series of events affecting market conditions referred to above.

Lock-up undertakings to the Hong Kong Offer Underwriters

(a) Undertakings by our Controlling Shareholders

Each of our Controlling Shareholders has jointly and severally undertaken with our Company, the Joint Global Coordinators (acting on behalf of all the Hong Kong Offer Underwriters) and the Joint Sponsors that, without the prior written consent of the Joint Global Coordinators and subject always to the requirements of the Stock Exchange, save as pursuant to the Stock Borrowing Agreement, the offer for sale of the Sale Shares by Bournam and the charging or pledging of any direct or indirect interest in the Shares or in any share in any company controlled by him or it which is the beneficial owner of the interest in the Shares in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan, during a period of twelve months commencing from the Listing Date, he or it shall not, and shall procure the registered holder(s) of the Shares not to, dispose of, nor enter into any agreement to dispose of or otherwise create any option, right, interest or encumbrance in respect of, any of his or its direct and indirect interest in the Shares in respect of which he or it is shown in this prospectus to be the beneficial owner(s).

Mr. Chen has undertaken with our Company, the Joint Global Coordinators (on behalf of the Hong Kong Offer Underwriters) and the Joint Sponsors that, without the prior written consent of the Joint Global Coordinators and subject always to the requirements of the Stock Exchange, save as pursuant to the Stock Borrowing Agreement, the offer for sale of the Sale Shares by Bournam and the charging or pledging of any direct or indirect interest in the Shares or in any shares in any company controlled by him which is the beneficial owner of the interest in the Shares in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan, during a period of twelve months commencing from the Listing Date,

(a) he shall procure Bournam not to dispose of the Shares, nor enter into any agreement to dispose of or otherwise create any option, right, interest or encumbrance in respect of the Shares; and

(b) he shall not dispose of or enter into any agreement to dispose of or otherwise create any option, right, interest or encumbrance in respect of any of the shares of Bournam.

(b) Undertakings by our Company

Our Company has irrevocably and unconditionally undertaken to the Joint Global Coordinators (on behalf of all the Hong Kong Offer Underwriters) and the Joint Sponsors, and each of our Controlling Shareholders and two executive Directors (namely Ms. CHEN Zhao Nian and Ms. CHEN Zhao Hua) has also irrevocably and unconditionally undertaken to the Joint Global Coordinators (on behalf of all the Hong Kong Offer Underwriters) and the Joint Sponsors to procure, that, without the prior written consent of the Joint Global Coordinators and subject always to the requirements of the Stock Exchange, save for the Offer Shares, the Shares to be issued under the Capitalisation Issue, and any Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option and/or any option that may be granted under the Share Option Scheme, any capitalisation issue, capital reduction or consolidation or sub-division of Shares or any increase in the registered capital of any subsidiaries of our Company (which increase would not result in any dilution of the attributable interest of our Company in such subsidiary), neither our Company nor any of its subsidiaries from time to time shall:

(a) allot and issue or agree to allot and issue any share in our Company or any of its subsidiaries from time to time or grant or agree to grant any option, warrant or other right carrying the right to subscribe for or otherwise acquire any securities of our Company or any of its subsidiaries from time to time during a period commencing on the date by reference to which disclosure of the shareholding of our Controlling Shareholders is made in this prospectus and ending on the date which is six months from the Listing Date (the "**First Six-Month Period**");

(b) issue any Share or securities in our Company or grant or agree to grant any option, warrant or other right carrying the right to subscribe for or otherwise convert into or exchange for Shares or securities in our Company during the six-month period commencing on the expiry date of the First Six-Month Period so as to result in our Controlling Shareholders, either individually or taken together with the other of them, ceasing to be a controlling shareholder (as defined under the Listing Rules) of our Company or our Company ceases to hold a controlling interest of 30% or more in any major subsidiary (which shall have the same meaning as in Rule 13.25(2) of the Listing Rules) of our Group; or

(c) during the First Six-Month Period purchase any Share or securities of our Company.

Lock-up undertakings to the Stock Exchange pursuant to the Listing Rules

(a) Undertakings by our Controlling Shareholders

In accordance with Rule 10.07(1) of the Listing Rules, our Controlling Shareholders have undertaken to the Stock Exchange that except pursuant to the Stock Borrowing Agreement and the offer for sale of the Sale Shares by Bournam, (i) it or he will not, at any time during the period commencing from the date of this prospectus in which disclosure of his/its shareholding in our Company is made and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any of the Shares in respect of which it or he is shown by this prospectus to be the beneficial owner; and (ii) it or he will not, at any time during the period of six months from the date on which the period referred to in (i) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it or he would cease to be our Controlling Shareholder.

Our Controlling Shareholders have further undertaken to us and the Stock Exchange that it or he will, within a period of commencing from the date of this prospectus and ending on the date which is 12 months from the Listing Date, immediately inform us and the Stock Exchange of:

(1) any pledges or charges of any shares or securities of our Company beneficially owned by any of our Controlling Shareholders, whether directly or indirectly, in favor of any authorised institution pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, and the number of such shares or securities of our Company so pledged or charged; and

(2) any indication received by it/him, either verbal or written, from any pledgee or chargee of any Shares or other securities of our Company pledged or charged that any of such securities will be disposed of.

(b) Undertaking by our Company

Pursuant to Rule 10.08 of the Listing Rules, no further Shares or securities convertible into equity securities (whether or not of a class already listed) may be issued or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except in certain circumstances prescribed by Rule 10.08 of the Listing Rules which includes the issue of Shares pursuant to the Share Option Scheme.

International Placing Underwriting Agreement

Pursuant to the International Placing Underwriting Agreement, our Company and the Selling Shareholder are expected to be offering for subscription and purchase of 220,000,000 New Shares and 50,000,000 Sale Shares, respectively, at the Offer Price under the International Placing. The International Placing Underwriting Agreement is expected to be signed on or around the Price Determination Date, pursuant to which the International Placing Underwriters are expected to agree severally, but not jointly, on and subject to the terms and conditions contained in the International Placing Underwriting Agreement, to procure subscribers and purchasers to subscribe for and purchase or failing which they shall subscribe for and purchase, the International Placing Shares. Potential investors are reminded that in the event that the International Placing Underwriting Agreement is not entered into, the Global Offering will not proceed.

In addition, the Over-allotment Option is expected to be granted to the International Placing Underwriters, exercisable by J.P. Morgan (for itself and on behalf of the International Placing Underwriters), at any time from the Listing Date up to (and including) the date which is the 30th day after the last date for lodging the Application Forms, to require our Company to allot and issue up to 45,000,000 additional New Shares, representing 15% of the Shares initially available under the Global Offering, at the Offer Price on the same terms as those applicable to the International Placing, to cover over-allocations in the International Placing and/or the obligations of J.P. Morgan to return securities borrowed under the Stock Borrowing Agreement.

The International Placing Underwriting Agreement is conditional on and subject to the Hong Kong Underwriting Agreement having been executed, becoming unconditional and not having been terminated. It is expected that undertakings similar to those given to the Hong Kong Offer Underwriters will be given by our Company, our Controlling Shareholders and the executive Directors to the International Placing Underwriters under the International Placing Underwriting Agreement.

Commission and expenses

The Hong Kong Offer Underwriters will, and the International Placing Underwriters are expected to, receive an underwriting commission of 2.5% and 3.0% of the aggregate Offer Price payable for the Hong Kong Offer Shares and the International Placing Shares, respectively, in accordance with the terms of the Underwriting Agreements, out of which the Underwriters may pay any sub-underwriting commission in connection with the Global Offering. The Joint Sponsors will also receive a documentation fee. The aggregate fees, together with the underwriting commission, listing application fees, legal and other professional fees, printing, translation and other fees and expenses relating to the Listing, are estimated to be approximately HK$97.6 million (assuming that the Over-allotment Option is not exercised and based on the offer price of HK$5.33 per Offer Share (being the mid-point of the indicative Offer Price range between HK$4.50 and HK$6.15)), of which the fees attributable to the Global Offering will be payable by us and the Selling Shareholder rateably, provided that all the seller and purchaser stamp duties, if any, shall be borne by the Selling Shareholder. We will also pay for all expenses in connection with any exercise of the Over-allotment Option or over-allocations in the International Placing.

JOINT SPONSORS' AND UNDERWRITERS' INTEREST IN OUR COMPANY

The Joint Sponsors will receive a documentation fee. The Joint Lead Managers of the Hong Kong Public Offering, the Joint Lead Managers of the International Placing and the other Underwriters will or are expected to receive an underwriting commission. Particulars of these underwriting commission and expenses are set forth under the paragraph headed "Commission and expenses" above.

We will appoint, before the Listing Date, ICBCI as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules for the period commencing on the Listing Date and ending on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the year ending 31 December 2010.

Save as disclosed above, none of the Joint Sponsors, the Joint Lead Managers of the Hong Kong Public Offering, the Joint Lead Managers of the International Placing and the other Underwriters is interested legally or beneficially in shares of any members of our Group or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any members of our Group or has any interest in the Global Offering.

MINIMUM PUBLIC FLOAT

Our Directors and the Joint Global Coordinators will ensure that there will be a minimum 25% of the total issued Shares held in public hands in accordance with Rule 8.08 of the Listing Rules after completion of the Global Offering.

THE STRUCTURE OF THE GLOBAL OFFERING

The Global Offering consists of:

- the International Placing; and
- the Hong Kong Public Offering.

ICBCI and J.P. Morgan (Asia Pacific) are the Joint Global Coordinators.

An aggregate of 30,000,000 New Shares have been initially allocated to the Hong Kong Public Offering for subscription, subject to re-allocation as mentioned below and under the Listing Rules. An aggregate of 220,000,000 New Shares and 50,000,000 existing Shares are initially offered under the International Placing for subscription, subject to re-allocation as mentioned below and under the Listing Rules and the exercise of the Over-allotment Option.

Investors are free to select to apply for the Hong Kong Offer Shares or the International Placing Shares, but they may only receive Shares under the Hong Kong Public Offering **OR** the International Placing but not both. Our Directors and the Joint Global Coordinators will take all reasonable steps to identify any multiple applications under the Hong Kong Public Offering and the International Placing which are not allowed and are bound to be rejected.

In order to facilitate settlement of the over-allocations in the International Placing and for the purpose of stabilisation of the market price of the Share (if any), J.P. Morgan may borrow from Bournam up to 45,000,000 Shares held by Bournam, equivalent to the maximum number of Shares to be issued on the exercise of the Over-allotment Option in full, pursuant to the Stock Borrowing Agreement.

The terms of the Stock Borrowing Agreement will be in compliance with the requirements set out in Rule 10.07(3) of the Listing Rules and will therefore not be subject to the restriction of Rule 10.07(1)(a) of the Listing Rules. The principal terms of the Stock Borrowing Agreement are set out below:

- such stock borrowing arrangement with Bournam will only be effected by J.P. Morgan for settlement of the over-allocations in the International Placing and for the purpose of stabilisation of the market price of the Shares;
- the maximum number of Shares borrowed from Bournam will be limited to the maximum number of Shares which may be issued upon the full exercise of the Over-allotment Option;
- the same number of Shares so borrowed will be returned to Bournam or its nominees (as the case maybe) on or before the third Business Day following the earlier of (i) the last day on which the Over-allotment Option may be exercised; or (ii) the day on which the Over-allotment Option is exercised in full and the relevant Over-allotment Shares have been issued;
- the arrangement under the Stock Borrowing Agreement will be effected in compliance with all the applicable laws, rules and regulatory requirements; and
- no payment will be made to Bournam by J.P. Morgan under the Stock Borrowing Agreement.

PRICE PAYABLE UPON APPLICATION FOR THE HONG KONG OFFER SHARES

Investors of the Hong Kong Offer Shares will be required to pay the maximum indicative Offer Price of HK$6.15 plus 1% brokerage, 0.005% Stock Exchange trading fee and 0.004% transaction levy imposed by the SFC amounting to a total of HK$6,212.06 for each board lot of 1,000 Shares. If the final Offer Price is less than the maximum indicative Offer Price, arrangements will be made to refund any excess amount to the investors, **WITHOUT INTEREST.**

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of applications for the Hong Kong Offer Shares will be conditional upon:

- the Listing Committee granting the listing of, and permission to deal in, on the Main Board, our Shares in issue, the Offer Shares and any Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme;
- the agreement on the Offer Price between our Company and the Joint Global Coordinators (on behalf of the Underwriters) on the Price Determination Date; and
- the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of a waiver of any condition(s)) and not being terminated in accordance with the respective terms and conditions of the Underwriting Agreements),

in each case, on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date which is 30 days after the date of this prospectus.

If any of the above conditions has not been fulfilled or waived prior to the time(s) and date(s) specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of lapse of the Global Offering will be caused to be published by our Company in the South China Morning Post (in English) and Hong Kong Economic Times (in Chinese), and on our website at www.pck.com.cn and the website of the Stock Exchange at www.hkex.com.hk on the next day following such lapse. In such event, all application money will be refunded, **WITHOUT INTEREST**. The terms on which the application money will be refunded are set forth under the paragraph headed "Refund of your money" in the Application Forms. In the meantime, all application money received from the Hong Kong Public Offering will be held in a separate bank account (or separate bank accounts) with the receiving bankers of the Hong Kong Public Offering.

THE INTERNATIONAL PLACING

Our Company is initially offering 220,000,000 New Shares and the Selling Shareholder is offering 50,000,000 Sale Shares, both at the final Offer Price, representing in aggregate 90% of the initial number of the Offer Shares, for subscription by way of the International Placing, subject to re-allocation as mentioned below and under the Listing Rules and the exercise of the Over-allotment Option.

Investors subscribing for or purchasing the International Placing Shares are also required to pay 1% brokerage, 0.004% transaction levy imposed by the SFC and 0.005% Stock Exchange trading fee.

It is expected that the International Placing Underwriters, or selling agents nominated by them, on behalf of our Company and the Selling Shareholder, will conditionally place the International Placing Shares at the Offer Price with selected professional, institutional and/or individual investors in Hong Kong and certain other jurisdictions. The International Placing Shares will be offered in Hong Kong and other jurisdictions outside the United States in offshore transactions, as defined in, and in reliance on, Regulation S, and in the United States to QIBs, as defined in and in reliance on, Rule 144A. Such professional and institutional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and/or corporate entities which regularly invest in shares and other securities.

Private investors applying through banks or other institutions who seek International Placing Shares in the International Placing may also be allocated the International Placing Shares. The International Placing shall be subject to the restrictions on the offer of the Offer Shares set out in the section headed "Information about this Prospectus and the Global Offering".

All decisions concerning the allocation of the International Placing Shares to prospective placees pursuant to the International Placing will be made on the basis of, and by reference to, a number of factors including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not the relevant investor is expected or likely to buy further Shares, or hold or sell our Shares, after the Listing Date. Such allocation is intended to result in a distribution of the International Placing Shares on a basis which would lead to the establishment of a solid Shareholder base for the benefit of our Company. In addition, our Company and the Joint Global Coordinators will use their best endeavours to observe the minimum public float requirement under the Listing Rules when making allocations of the International Placing Shares to investors who are anticipated to have a sizeable demand for such Shares.

In connection with the International Placing, our Company intends to grant the Over-allotment Option to the International Placing Underwriters, exercisable by J.P. Morgan (for itself and on behalf of the International Placing Underwriters) at any time from the Listing Date up to the 30th day after the last day for lodging of applications under the Hong Kong Public Offering, subject to the terms of the International Placing Underwriting Agreement. Pursuant to the Over-allotment Option, our Company may be required to allot and issue, at the final Offer Price, up to additional 45,000,000 New Shares, representing 15% of the initial number of the Offer Shares, to cover over-allocations in the International Placing. If the Over-allotment Option is exercised in full, the Offer Shares will represent 4.3% of our Company's enlarged issued share capital following completion of the Global Offering. In the event that the Over-allotment Option is exercised, a press announcement will be made by our Company.

The total number of the International Placing Shares to be allotted and issued may change as a result of re-allocation mentioned below and any re-allocation of the unsubscribed Hong Kong Offer Shares to the International Placing as mentioned under the paragraph headed "The Hong Kong Public Offering" below.

THE HONG KONG PUBLIC OFFERING

Our Company is initially offering 30,000,000 New Shares under the Hong Kong Public Offering, at the Offer Price, representing 10% of the initial number of the Offer Shares, for subscription by way of a public offer in Hong Kong, subject to the reallocation as mentioned below. The Hong Kong Public Offering is lead managed by the Joint Lead Managers of the Hong Kong Public Offering and is fully underwritten by the Hong Kong Offer Underwriters (subject to our Company and the Joint Global Coordinators agreeing to the final Offer Price). Applicants for the Hong Kong Offer Shares are required to pay on application the maximum indicative Offer Price plus 1% brokerage, 0.004% transaction levy imposed by the SFC and 0.005% Stock Exchange trading fee.

The Hong Kong Public Offering is open to all members of the public in Hong Kong. An applicant for the Hong Kong Offer Shares will be required to give an undertaking and confirmation in the Application Form that he or she or it has not taken up and will not indicate an interest to take up any International Placing Shares nor otherwise participated in the International Placing. Applicants should note that if such undertaking and/or confirmation given by the applicant is breached and/or is untrue (as the case may be), such applicant's application under the Hong Kong Public Offering is bound to be rejected. The Hong Kong Public Offering will be subject to the conditions stated under the paragraph headed "Conditions of the Global Offering" above.

If the Hong Kong Offer Shares are not fully subscribed, the Joint Global Coordinators (on behalf of the Hong Kong Offer Underwriters) will have an absolute discretion to re-allocate all or any unsubscribed Hong Kong Offer Shares to the International Placing in such number as it considers appropriate.

The total number of the Hong Kong Offer Shares to be allotted and issued may change as a result of the re-allocation as mentioned below.

Basis of allocation of the Hong Kong Offer Shares

For allocation purpose only, the number of the Hong Kong Offer Shares (after taking into account any re-allocation referred to below) will be divided equally into two pools: pool A and pool B. The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares in the value of HK$5 million (excluding transaction levy imposed by the SFC, the Stock Exchange trading fee and the brokerage payable thereon) or less. The Hong Kong Offer Shares available in pool B will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares in the value of more than HK$5,000,000 (excluding transaction levy imposed by the SFC, the Stock Exchange trading fee and the brokerage payable thereon) and up to the total initial value of pool B.

Investors should be aware that allocation ratios for applications in the two pools, as well as the allocation ratios for applications in the same pool, are likely to be different. Where one of the pools is under-subscribed, the unsubscribed Hong Kong Offer Shares will be transferred to satisfy the demand in the other pool and be allocated accordingly. Applicants can only receive an allocation of Hong Kong Offer Shares from any one pool but not from both pools. Any application made for more than 100% of the Hong Kong Offer Shares initially available under pool A or pool B is bound to be rejected.

RE-ALLOCATION BETWEEN THE INTERNATIONAL PLACING AND THE HONG KONG PUBLIC OFFERING

If the number of Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the initial number of the Hong Kong Offer Shares, then the number of Shares to be re-allocated to the Hong Kong Public Offering from the International Placing will increase to 90,000,000 Shares, representing 30% of the total number of the Offer Shares initially available under the Global Offering (assuming the Over-allotment Option is not exercised).

If the number of Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the initial number of the Hong Kong Offer Shares, then the number of Shares to be re-allocated to the Hong Kong Public Offering from the International Placing will increase so that the total number of Shares available under the Hong Kong Public Offering will increase to 120,000,000 Shares, representing 40% of total number of the Offer Shares initially available under the Global Offering (assuming the Over-allotment Option is not exercised).

If the number of Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the initial number of the Hong Kong Offer Shares, then the number of Shares to be re-allocated to the Hong Kong Public Offering from the International Placing will increase so that the total number of Shares available under the Hong Kong Public Offering will increase to 150,000,000 Shares, representing 50% of the total number of the Offer Shares initially available under the Global Offering (assuming the Over-allotment Option is not exercised).

In each such case, the additional Shares re-allocated to the Hong Kong Public Offering will be allocated equally between pool A and pool B and the number of the International Placing Shares will be correspondingly reduced.

STABILISATION IN HONG KONG

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may purchase newly issued securities in the secondary market during a specified period of time to retard and, if possible, prevent a decline in the initial public offer prices of the securities. In Hong Kong and certain other jurisdictions, activities aimed at reducing the market price are prohibited, and the price at which stabilisation is effected is not permitted to exceed the initial offering price.

In connection with the Global Offering, J.P. Morgan as stabilising manager (the "**Stabilising Manager**") or any person acting for it, on behalf of the Underwriters, may over-allocate or effect any other transactions with a view to stabilising or maintaining the market price of our Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. This stabilising activity may include the exercise of the Over-allotment Option or market purchase of our Shares in the secondary market or selling our Shares to liquidate a position held as a result of the purchase. Any such market purchase will be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilising Manager or any person acting for it to conduct any such stabilising activity which, if commenced, will be conducted at the absolute discretion of the Stabilising Manager. Such stabilising activity may be discontinued at any time, and is required to be brought to an end after a limited period.

The number of Shares which can be over-allocated will not exceed the number of Shares which may be issued upon the exercise of the Over-allotment Option, being 45,000,000 Shares, representing 15% of the number of the Offer Shares initially available under the Global Offering (assuming the Over-allotment Option is not exercised). The stabilisation price will not exceed the Offer Price or other pricing limits stipulated by the Securities and Futures (Price Stabilising) Rules (Chapter 571W of the Laws of Hong Kong).

As a result of effecting transactions to stabilise or maintain the market price of our Shares, the Stabilising Manager or any person acting for it may maintain a long position in our Shares. The size of the long position and the period for which the Stabilising Manager or any person acting for it will maintain the long position is at the absolute discretion of the Stabilising Manager. In the event that the Stabilising Manager or any person acting for it liquidates this long position, it may have an adverse impact on the market prices of our Shares.

Stabilising action by the Stabilising Manager or any person acting for it is not permitted to support the price of our Shares for longer than the stabilising period, which begins from the Listing Date and ends on the 30th day after the last day for lodging of applications under the Hong Kong Public Offering. The stabilising period is expected to expire on Thursday, 4 March 2010 and after this date, the demand for our Shares, and the market price, may fall.

Any stabilising action taken by the Stabilising Manager or any person acting for it may not necessarily result in the market price of our Shares staying at or above the Offer Price either during or after the stabilising period.

Stabilisation is allowed for initial public offering transactions the total value of the relevant securities offered thereunder at the offer price is not less than HK$100 million and is an offer to members of the public in Hong Kong the subject matter of a prospectus (as defined in the Companies Ordinance) and the securities offered are uniform in all respects with the securities for the time being traded or admitted to trading on a recognised stock exchange (as defined in the SFO) or by means of relevant authorised trading services.

LISTING DATE

Assuming that the Global Offering becomes unconditional, it is expected that dealings in our Shares on the Main Board will commence at 9:30 a.m. (Hong Kong time) on Wednesday, 10 February 2010.

*There are two ways to apply for the Hong Kong Offer Shares. You may either use an Application Form or you may give **Electronic Application Instructions** to cause HKSCC Nominees to apply on your behalf for the Hong Kong Offer Shares. Except where you are a nominee and provide the required information in your application, you or you and your joint applicant(s) may not make more than one application (whether individually or jointly) by applying on a **WHITE** or **YELLOW*** Application Form or by giving ***Electronic Application Instructions** to HKSCC.*

WHICH APPLICATION FORM TO USE

Use a **WHITE** Application Form if you want the Hong Kong Offer Shares to be issued in your own name.

Use a **YELLOW** Application Form if you want the Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant.

Instead of using a **YELLOW** Application Form, you may electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for the Hong Kong Offer Shares on your behalf. Any Hong Kong Offer Shares allocated to you will be registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant.

WHERE TO COLLECT THE PROSPECTUSES AND THE APPLICATION FORMS

You can collect a **WHITE** Application Form and this prospectus during normal business hours from 9:00 a.m. on Thursday, 28 January 2010 until 12:00 noon on Tuesday, 2 February 2010 from:

ICBC International Securities Limited
Levels 18, Three Pacific Place
1 Queen's Road East
Hong Kong

or

Access Capital Limited
Suite 606, 6th Floor
Bank of America Tower
12 Harcourt Road
Central
Hong Kong

or

J.P. Morgan Securities (Asia Pacific) Limited
28/F, Chater House
8 Connaught Road
Central
Hong Kong

or

Daiwa Capital Markets Hong Kong Limited
Level 26, One Pacific Place
88 Queensway
Hong Kong

or

First Shanghai Securities Limited
19th Floor, Wing On House
71 Des Voeux Road Central
Hong Kong

or

Mizuho Securities Asia Limited
12th Floor, Chater House
8 Connaught Road Central
Hong Kong

or

Platinum Securities Company Limited
22nd Floor, Standard Chartered Bank Building
4 Des Voeux Road Central
Hong Kong

or any of the following branches of Industrial and Commercial Bank of China (Asia) Limited:

District	Branch name	Address
Hong Kong Island	Queen's Road Central Branch	122-126 Queen's Road Central, Central
	West Point Branch	242-244 Queen's Road West, Sai Ying Pun
	Causeway Bay Branch	Shop A, G/F, Jardine Center, 50 Jardine's Bazaar, Causeway Bay
	Aberdeen Branch	Shop 7A, G/F, Site 1, Aberdeen Centre
Kowloon	Tsim Sha Tsui Branch	Shop 1 & 2, G/F, No. 35-37 Hankow Road, Tsimshatsui
	Jordan Branch	1/F, JD Mall, No. 233 Nathan Road, Jordan
	Mok Cheong Street Branch	12-14 Mok Cheong Street, Tokwawan
	Ngau Tau Kok Branch	Shop Nos. G211-214, G/F., Phase II, Amoy Plaza, 77 Ngau Tau Kok Road
New Territories	Kwai Chung Branch	Unit G02, Tower A, Regent Centre, 63 Wo Yi Hop Road, Kwai Chung
	Yuen Long Branch	G/F., 197-199 Castle Peak Road, Yuen Long

or any of the following branches of The Bank of East Asia, Limited:

District	Branch name	Address
Hong Kong Island	Main Branch	10 Des Voeux Road Central
	Kennedy Town Centre Branch	Shop D, G/F, Kennedy Town Centre, 23 Belcher's Street
	Taikoo Shing Branch	Shop G1010-1011, Yiu Sing Mansion
Kowloon	Prince Edward Branch	G/F, Hanley House, 776-778 Nathan Road
	Tsim Sha Tsui Branch	Shop A & B, Milton Mansion, 96 Nathan Road
	Waterloo Road Branch	Shop A, G/F, Richland House, 77B & 77C Waterloo Road
	Wong Tai Sin Branch	Shop UG15, Upper Ground Floor, Wong Tai Sin Plaza, Kowloon
New Territories	Shatin Plaza Branch	Shop 3-4, Level 1, Shatin Plaza
	Tai Po Plaza Branch	Units 49-52, Level 1, Tai Po Plaza
	Tuen Mun Branch	Shop G16, G/F, Eldo Court Shopping Centre

You can collect a **YELLOW** Application Form and this prospectus during normal business hours from 9:00 a.m. on Thursday, 28 January 2010 until 12:00 noon on Tuesday, 2 February 2010 from the Depository Counter of HKSCC at 2nd Floor, Vicwood Plaza, 199 Des Voeux Road, Central, Hong Kong or your stockbrokers may also have the Application Forms and this prospectus available.

HOW TO COMPLETE THE APPLICATION FORMS

There are detailed instructions on each Application Form. You should read these instructions carefully. If you do not follow the instructions your application may be rejected and returned to you (or the first-named applicant in case of joint applicant(s)) by ordinary post together with the accompanying cheque(s) or banker's cashier order(s) at your own risk at the address stated in the relevant Application Form.

If your application is made through a duly authorised attorney, our Company, the Joint Global Coordinators (acting on behalf of all the Hong Kong Offer Underwriters) and the Joint Sponsors, or their respective agents or nominees, each acting as an agent of our Company, may accept the application at their discretion, and subject to any conditions they consider appropriate, including evidence of the authority of your attorney. The Joint Global Coordinators and the Joint Sponsors, acting as agents of our Company, shall have full discretion to reject or accept any application, in full or in part, without assigning any reason.

APPLICATIONS BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS

General

CCASS Participants may give **Electronic Application Instructions** to HKSCC to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds. This will be in accordance with their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time.

If you are a CCASS Investor Participant, you may give **Electronic Application Instructions** through the CCASS Phone System by calling 2979-7888 or the CCASS Internet System at https://ip.ccass.com (using the procedures contained in "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input **Electronic Application Instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
2nd Floor
Vicwood Plaza
199 Des Voeux Road Central
Hong Kong

and complete an input request form.

Copies of this prospectus are available for collection from the above address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant, respectively, to give **Electronic Application Instructions** via CCASS terminals to apply on your behalf for the Hong Kong Offer Shares.

You are deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application, whether submitted by you or through your CCASS Clearing Participant or CCASS Custodian Participant, to our Company and our Company's Hong Kong branch share registrar and transfer office. The subscription for the Hong Kong Offer Shares by giving **Electronic Application Instructions** is only a facility provided to CCASS Participants. Our Company, the Joint Sponsors, the Joint Global Coordinators and the Hong Kong Offer Underwriters take no responsibility for the application and provide no assurance that any CCASS Participants will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **Electronic Application Instructions** to HKSCC through the CCASS Phone System or CCASS Internet System, CCASS Investor Participants are advised not to wait until the last moment to input instructions. In the event that CCASS Investor Participants have problems in connecting to the CCASS Phone System or CCASS Internet System for submission of **Electronic Application Instructions**, they should either (i) submit the **WHITE** or **YELLOW** Application Form; or (ii) go to HKSCC's Customer Service Centre to complete an application instruction input request form before 12:00 noon on Tuesday, 2 February 2010.

Giving Electronic Application Instructions to HKSCC to apply for the Hong Kong Offer Shares by HKSCC Nominees on your behalf

Where a **WHITE** Application Form is signed by HKSCC Nominees on behalf of persons who have given **Electronic Application Instructions** to apply for the Hong Kong Offer Shares,

- HKSCC Nominees is only acting as a nominee for those persons and shall not be liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

- HKSCC Nominees does the following things on behalf of each of the persons:

  (a) agrees that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for credit to that person's CCASS Investor Participant stock account or the stock account of the CCASS Participant who has input **Electronic Application Instructions** on that person's behalf;

  (b) undertakes and agrees to accept the Hong Kong Offer Shares in respect of which that person has given **Electronic Application Instructions** or any lesser number;

  (c) undertakes and confirms that the person has not applied for or taken up any International Placing Shares nor otherwise participated in the International Placing;

(d) if the **Electronic Application Instructions** are given for that person's own benefit, declares that only one set of **Electronic Application Instructions** has been given for that person's benefit;

(e) if that person is an agent for another person, declares that he or she or it has given only one set of **Electronic Application Instructions** for the benefit of that other person and that he or she or it is duly authorised to give those instructions as that other person's agent;

(f) understands that the above declaration will be relied upon by our Company, our Directors, the Joint Global Coordinators and the Joint Sponsors in deciding whether to make any allotment of Hong Kong Offer Shares in respect of the **Electronic Application Instructions** given by that person and that person may be prosecuted if he or she or it makes a false declaration;

(g) authorises our Company to place the name of HKSCC Nominees on the register of members of our Company as the holder of the Hong Kong Offer Shares allotted in respect of that person's **Electronic Application Instructions** and to send share certificate(s) and/or refund cheque(s) in accordance with the arrangements separately agreed between our Company and HKSCC;

(h) confirms that that person has read the terms and conditions and application procedures set forth in this prospectus and agrees to be bound by them;

(i) confirms that that person has only relied on the information and representations in this prospectus in giving that person's **Electronic Application Instructions** or instructing that person's broker or custodian to give **Electronic Application Instructions** on that person's behalf;

(j) agrees that our Company, the Joint Global Coordinators, the Joint Sponsors, the Hong Kong Offer Underwriters, their respective directors and any other parties involved in the Hong Kong Public Offering are not liable for the information and representations not contained in this prospectus;

(k) without prejudice to any other rights which may have, agrees that once the application of HKSCC Nominees has been accepted, the application cannot be rescinded for innocent misrepresentations;

(l) agrees to disclose to our Company and its agents and the Joint Global Coordinators, the Joint Sponsors and the Hong Kong Offer Underwriters any information which they require about that person;

(m) agrees that any application make by HKSCC Nominees on behalf of that person pursuant to the **Electronic Application Instructions** given by that person is irrevocable before the expiration of the fifth day after the opening of the Application Lists or such later date as the Application Lists may close as described under the paragraph headed "Effect of bad weather on the opening of the Application Lists" below. This agreement will take effect as a collateral contract with our Company and will become binding when that person gives the instructions and such collateral contract will be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the expiration of the fifth day after the opening of the Application Lists except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the instructions before the fifth day after the opening of the Application Lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under section 40 of the Companies Ordinance (as applied by section 342E of the Companies Ordinance) gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus;

(n) agrees that once the application of HKSCC Nominees is accepted, neither that application nor that person's **Electronic Application Instructions** can be revoked and that acceptance of that application will be evidenced by the press announcement on results of the Hong Kong Public Offering published by our Company; and

(o) agrees to the arrangement, undertakings and warranties specified in the participant agreement between that person and HKSCC, together with the General Rules of CCASS and the CCASS Operational Procedures, in respect of the giving of **Electronic Application Instructions** relating to the Hong Kong Offer Shares.

Effect of giving Electronic Application Instructions

By giving Electronic Application Instructions to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant, respectively, to give such instructions to HKSCC, you (and if you are joint applicants, each jointly and severally) are deemed to do the following things. Neither HKSCC nor HKSCC Nominees will be liable to our Company or any other person in respect of the things mentioned below:

- instruct and authorise HKSCC to cause HKSCC Nominees (acting as nominee for the CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

- instruct and authorise HKSCC to arrange payment of the maximum indicative Offer Price, brokerage, transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of wholly or partly unsuccessful applications and/or the Offer Price is less than the maximum indicative Offer Price, refund of the application money by crediting your designated bank account; or

- instruct and authorise HKSCC to cause HKSCC Nominees to do on your behalf all the things which are stated in the **WHITE** Application Form to do on your behalf.

Minimum application amount and permitted multiples

You may give **Electronic Application Instructions** in respect of a minimum of 1,000 Hong Kong Offer Shares. Such instructions in respect of more than 1,000 Hong Kong Offer Shares must be in one of the multiples set forth in the table on the Application Forms.

Multiple applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of the Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of the Hong Kong Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any **Electronic Application Instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purpose of considering whether multiple applications have been made. Further information in this regard is set forth under the paragraph headed "How many applications you may make for the Hong Kong Offer Shares" below.

Allocation of the Hong Kong Offer Shares

For the purpose of allocating the Hong Kong Offer Shares, HKSCC Nominees shall not be treated as an applicant. Instead, each CCASS Participant who gives **Electronic Application Instructions** or each person for whose benefit each such instruction is given shall be treated as an applicant.

Personal data

Information set forth under the section headed "Personal data" in the Application Forms applies to all personal data held by our Company and our Company's Hong Kong branch share registrar and transfer office about you in the same way as it applies to personal data about all applicants other than HKSCC Nominees.

HOW MANY APPLICATIONS YOU MAY MAKE FOR THE HONG KONG OFFER SHARES

You may make more than one application for the Hong Kong Offer Shares if you are a nominee, in which case you may make an application by using a **WHITE** or **YELLOW** Application Form or by way of giving **Electronic Application Instructions** to HKSCC via CCASS, and lodge more than one Application Form in your own name on behalf of different beneficial owners. In the box on the relevant Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code

for each beneficial owner or, in the case of joint beneficial owners, for each such beneficial owner. If you do not include this information, the application will be treated as being for your own benefit.

Otherwise, multiple applications are not allowed.

It will be a term and condition of all applications that by completing and delivering an Application Form or by giving **Electronic Application Instructions** to HKSCC, you:

- if the application is made for your own benefit, warrant that this is the only application which will be made for your benefit on a **WHITE** or **YELLOW** Application Form or through giving **Electronic Application Instructions** to HKSCC;
- if you are an agent for another person, warrant that reasonable enquiries have been made of that other person that this is the only application which will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or through giving **Electronic Application Instructions** to HKSCC, and that you are duly authorised to sign the relevant Application Form or give **Electronic Application Instructions** as that other person's agent.

Multiple applications or suspected multiple applications are liable to be rejected. All of your applications are liable to be rejected as multiple applications if you, or you and your joint applicant(s) together:

- make more than one application (whether individually or jointly with others) on a **WHITE** or **YELLOW** Application Form or by way of giving **Electronic Application Instructions** to HKSCC via CCASS;
- apply (whether individually or jointly with others) on one **WHITE** Application Form and one **YELLOW** Application Form or one **WHITE** or **YELLOW** Application Form and by way of giving **Electronic Application Instructions** to HKSCC via CCASS;
- apply (whether individually or jointly with others) on one **WHITE** or **YELLOW** Application Form or by way of giving **Electronic Application Instructions** to HKSCC via CCASS for more than 50% of the Hong Kong Offer Shares initially available for subscription under the Hong Kong Public Offering; or

- have applied for or taken up, or indicated an interest in or have been or will be placed Offer Shares under the International Placing and make application on a **WHITE** or **YELLOW** Application Form or by way of giving **Electronic Application Instructions** to HKSCC via CCASS.

All of your applications are also liable to be rejected as multiple applications if more than one application is made for your benefit (including the part of the application made by HKSCC Nominees acting on **Electronic Application Instructions**) or you have applied for or taken up or otherwise indicated an interest in Offer Shares under the International Placing.

If an application is made by an unlisted company and

- the principal business of that company is dealing in securities; and

- you exercise "statutory control" over that company,

then that application will be treated as being for your benefit.

"An unlisted company" means a company with no equity securities listed on the Stock Exchange.

"**Statutory control**" means you:

- control the composition of the board of directors of that company; and/or

- control more than half the voting power of that company; and/or

- hold more than one-half of the issued share capital of that company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

Offer Price

The maximum indicative Offer Price is HK$6.15 per Share. You must also pay the brokerage of 1%, the transaction levy of 0.004% imposed by the SFC and the Stock Exchange trading fee of 0.005%. This means that for every 1,000 Hong Kong Offer Shares, you will need to pay HK$6,212.06. The Application Forms have tables showing the exact amount payable for certain multiples of the Hong Kong Offer Shares up to 15,000,000 Hong Kong Offer Shares.

You must pay the maximum indicative Offer Price, the brokerage, the Stock Exchange trading fee and the transaction levy in full when you apply for the Hong Kong Offer Shares. Your payment must be made by one cheque or one banker's cashier order and must comply with the terms of the Application Forms.

If your application is successful, the brokerage will be paid to participants of the Stock Exchange, the transaction levy will be paid to the SFC and the trading fee will be paid to the Stock Exchange.

If the Offer Price as finally determined is less than HK$6.15 per Share, appropriate refund (including the brokerage, the transaction levy and the Stock Exchange trading fee attributable to the excessive application money) will be made to applicants, **without interest**. Particulars of the procedures for refund are set forth below under the paragraph headed "Despatch/collection of share certificates and refund of application money" below.

TIME FOR APPLYING FOR THE HONG KONG OFFER SHARES

WHITE or YELLOW Application Forms

Completed **WHITE** or **YELLOW** Application Forms, with payment attached, must be lodged by 12:00 noon (Hong Kong time) on Tuesday, 2 February 2010, or, if the Application Lists are not open on that day, then by 12:00 noon (Hong Kong time) on the day the Application Lists are open.

Your completed Application Form, with payment attached, should be deposited in the special collection boxes provided at any of sub-branches and/or branches of Industrial and Commercial Bank of China (Asia) Limited and The Bank of East Asia, Limited listed under the paragraph headed "Where to collect the prospectuses and the Application Forms" above at the following times:

Thursday, 28 January 2010	**–**	**9:00 a.m. to 5:00 p.m.**
Friday, 29 January 2010	**–**	**9:00 a.m. to 5:00 p.m.**
Saturday, 30 January 2010	**–**	**9:00 a.m. to 1:00 p.m.**
Monday, 1 February 2010	**–**	**9:00 a.m. to 5:00 p.m.**
Tuesday, 2 February 2010	**–**	**9:00 a.m. to 12:00 noon**

The Application Lists will open from 11:45 a.m. (Hong Kong time) and will close at 12:00 noon (Hong Kong time) on Tuesday, 2 February 2010.

Electronic Application Instructions

CCASS Clearing Participants and CCASS Custodian Participants should input **Electronic Application Instructions** at the following times on the following dates:

Thursday, 28 January 2010	**–**	**9:00 a.m. to 8:30 p.m.[(1)]**
Friday, 29 January 2010	**–**	**8:00 a.m. to 8:30 p.m.[(1)]**
Saturday, 30 January 2010	**–**	**8:00 a.m. to 1:00 p.m.[(1)]**
Monday, 1 February 2010	**–**	**8:00 a.m. to 8:30 p.m.[(1)]**
Tuesday, 2 February 2010	**–**	**8:00 a.m.[(1)] to 12:00 noon**

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing Participants and CCASS Custodian Participants.

CCASS Investor Participants can input **Electronic Application Instructions** from 9:00 a.m. on Thursday, 28 January 2010 until 12:00 noon on Tuesday, 2 February 2010 (24 hours daily, except the last application day).

The latest time for inputting your **Electronic Application Instructions** (if you are a CCASS Participant) is 12:00 noon on Tuesday, 2 February 2010 or, if the Application Lists are not open on that day, by the time and date stated under the paragraph headed "Effects of bad weather on the opening of the Application Lists" in this section below.

Application Lists

The Application Lists will open from 11:45 a.m. to 12:00 noon on Tuesday, 2 February 2010.

No proceedings will be taken on applications for our Shares and no allotment of any such Shares will be made until after the opening of the Application Lists. No allocation of any of the Hong Kong Offer Shares will be made after Thursday, 4 March 2010.

EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The Application Lists will not open if there is:

- a tropical cyclone warning signal number 8 or above, or
- a "black" rainstorm warning signal,

in force at any time between 9:00 a.m. (Hong Kong time) and 12:00 noon (Hong Kong time) on Tuesday, 2 February 2010 in Hong Kong. Instead, the Application Lists will open between 11:45 a.m. (Hong Kong time) and 12:00 noon (Hong Kong time) on the next Business Day which does not have either of those warnings in force at any time between 9:00 a.m. (Hong Kong time) and 12:00 noon (Hong Kong time).

If the Application Lists do not open and close on Tuesday, 2 February 2010, the dates mentioned in the section headed "Expected timetable" in this prospectus and the related Application Forms and other dates mentioned in this prospectus (including, without limitation, the latest time for the exercise of termination rights under the Underwriting Agreements) may be affected. A press announcement will be made in such event in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese), and on our website at www.pck.com.cn and the website of the Stock Exchange at www.hkex.com.hk.

CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED THE HONG KONG OFFER SHARES

Full details of the circumstances in which you will not be allotted the Hong Kong Offer Shares are set forth in the related Application Forms, and you should read them carefully. You should note in particular the following situations in which the Hong Kong Offer Shares will not be allotted to you:

If your application is revoked

By depositing an Application Form or submitting **Electronic Application Instructions** to HKSCC, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the expiration of the 5th day after Tuesday, 2 February 2010 or such later date as the Application Lists may close as described under the paragraph headed "Effect of bad weather on the opening of the Application Lists" above. This agreement will take effect as a collateral contract with us, and will become binding when you lodge your Application Form or submit your **Electronic Application Instructions** to HKSCC and an application has been made by HKSCC Nominees on your behalf accordingly. This collateral contract will be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person until after the expiration of the fifth day after opening of the Application Lists except by means of one of the procedures referred to in this prospectus.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before the fifth day after the time of the opening of the Application Lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If applicants have not been so notified, or if applicants have been notified but have not withdrawn their applications in accordance with the procedure to be notified, all applications that have been submitted will remain valid and may be accepted. Subject to the above, an application once made is irrevocable and applicants shall be deemed to have applied on the basis of this prospectus as supplemented.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked or withdrawn. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allotment, and where such basis of allotment is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot, respectively, at our full discretion or the discretion of our agents. Our Company and our agents have full discretion to reject or accept any application, or to accept only part of an application, and do not have to give any reason for any rejection or acceptance.

If your application is rejected

Your application will be rejected if:

- it is a multiple application or a suspected multiple application; or
- your Application Form is not completed correctly in accordance with the instructions printed thereon; or
- your payment is not made correctly; or
- you pay by cheque or banker's cashier order and the cheque or banker's cashier order is dishonoured on its first presentation; or
- you or the person for whose benefit you are applying have applied for or taken up or indicated an interest for or have received or have been or will be placed or allocated (including conditionally and/or provisionally) the International Placing Shares; or
- we believe that by accepting your application, we would violate the applicable laws, rules or regulations of the jurisdiction in which your application is, or is suspected to have been, completed and/or signed or of any other jurisdiction; or
- your application is for more than 100% of the Hong Kong Offer Shares initially offered for subscription by the public in either pool A or pool B.

If your application is not accepted

Your application (including the part of an application made by HKSCC Nominees acting upon **Electronic Application Instructions**) will not be accepted if either:

- any of the Underwriting Agreements does not become unconditional; or
- any of the Underwriting Agreements is terminated in accordance with its respective terms and conditions; or
- no agreement has been reached on the Offer Price on the Price Determination Date.

If the allotment of the Hong Kong Offer Shares is void

The allotment of the Hong Kong Offer Shares to you or to HKSCC Nominees (if you give **Electronic Application Instructions** or apply by a **YELLOW** Application Form) will be void if the Listing Committee does not grant permission to list our Shares either:

- within three weeks from the closing of the Applications Lists; or
- within a longer period of up to six weeks if the Listing Committee notifies us of that longer period within three weeks of the closing of the Application Lists.

ANNOUNCEMENT OF RESULTS OF THE HONG KONG PUBLIC OFFERING

The Company expects to publish (i) the final Offer Price; (ii) the level of indication of interests in the International Placing; (iii) the level of applications in the Hong Kong Public Offering; and (iv) the basis of allotment of the Hong Kong Offer Shares on the website of the Company at www.pck.com.cn and the website of the Stock Exchange at www.hkex.com.hk on Tuesday, 9 February 2010.

Results of allocations in the Hong Kong Public Offering, including the Hong Kong identity card numbers, passport numbers or Hong Kong business registration numbers of successful applicants (where supplied) and the number of the Hong Kong Offer Shares successfully applied for will be made available at the times and dates and in the manner specified below:

- on our website at **www.pck.com.cn** and the Stock Exchange's website at **www.hkex.com.hk** from Tuesday, 9 February 2010 onwards;

- on our Hong Kong Public Offering results of allocations website at **www.tricor.com.hk/ipo/result** on a 24-hour basis from 8:00 a.m. on Tuesday, 9 February 2010 to 12:00 midnight on Wednesday, 17 February 2010. The user will be required to key in the Hong Kong identity card/passport/Hong Kong business registration number provided in his/her/its Application Form to search for his/her/its own allocation result;

- from our Hong Kong Public Offering allocation results telephone enquiry line. Applicants may find out whether or not their applications have been successful and the number of the Hong Kong Offer Shares allocated to them, if any, by calling 3691-8488 between 9:00 a.m. and 6:00 p.m. from Tuesday, 9 February 2010 to Friday, 12 February 2010 (excluding Saturday, Sunday and Public Holiday); and

- from special allocation results booklets setting out the results of allocations which will be available for inspection during opening hours of the designated branches of the receiving banker of the Hong Kong Public Offering from Tuesday, 9 February 2010 to Thursday, 11 February 2010 at the addresses set out under the paragraph headed "Where to collect the prospectuses and the Application Forms" in this section above.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus on the Main Board and our Company complies with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealing in our Shares on the Main Board or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. Investors should seek the advice of their stockbroker(s) or other professional adviser(s) for details of those settlement arrangements as such arrangements will affect their rights and interests.

All activities under CCASS are subject to the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for our Shares to be admitted into CCASS.

DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND OF APPLICATION MONEY

No temporary documents of title will be issued in respect of the Offer Shares. No receipt will be issued for sums paid on application. However, your cheque or banker's cashier order will not be presented for payment before 12:00 noon on Tuesday, 2 February 2010. Our Company will keep any interest accrued on your application monies.

Any certificate relating to the Offer Shares issued by the Company or deposited into CCASS prior to 8:00 a.m. on the Listing Date will only become valid certificate of title if the Hong Kong Public Offering has become unconditional in all aspects and the Hong Kong Underwriting Agreement has not been terminated in accordance with its terms on or before 8:00 a.m. on the Listing Date.

Your application money, or an appropriate portion thereof, together with the related brokerage fee, Stock Exchange trading fee and the transaction levy, will be refunded, without interest if:

- your application is rejected, not accepted or only accepted in part;

- the Offer Price as finally determined is less than the maximum indicative Offer Price;

- the conditions of the Global Offering are not fulfilled in accordance with the section headed "Structure and conditions of the Global Offering" in this prospectus;

- any application is revoked or any allocation pursuant thereto has become void; or

- any of the reasons set forth under the paragraph headed "Circumstances in which you will not be allotted the Hong Kong Offer Shares" in this section.

It is intended that special efforts will be made to avoid any undue delay in refunding application money where appropriate.

If you have given **Electronic Application Instructions** to HKSCC, your refund (if any) will be credited to your designated bank account or the designated bank account of the designated CCASS Participant through which you are applying on Tuesday, 9 February 2010. If you have instructed your designated CCASS Participant (other than CCASS Investor Participant) to give **Electronic Application Instructions** on your behalf, you can check the amount of refund (if any) payable to you with that designated CCASS Participant. If you have applied as CCASS Investor Participant, you can check the amount of refund (if any) payable to you via the CCASS Phone System and CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Tuesday, 9 February 2010 or in the activity statement made available to you by HKSCC after the credit of refund money to your bank account.

You will receive one share certificate for all the Hong Kong Offer Shares issued to you (except pursuant to applications made on **YELLOW** Application Forms or by **Electronic Application Instructions** to HKSCC where the share certificate will be deposited into CCASS as described below under the paragraph headed "Deposit of share certificates into CCASS" below).

Subject to the provisions mentioned below, in due course there will be sent to you by ordinary post, at your own risk to the address specified on your Application Form:

- for applicants on **WHITE** Application Forms: (i) share certificates for all the Hong Kong Offer Shares applied for, if your application is wholly successful; or (ii) share certificates for the number of Hong Kong Offer Shares successfully applied for, if your application is partially successful; and/or

- for applicants on **WHITE** and **YELLOW** Application Forms, a refund cheque crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for: (i) the excessive application money for the Hong Kong Offer Shares unsuccessfully applied for, if the application is partially unsuccessful; or (ii) all the application money, if the application is wholly unsuccessful; and/or (iii) the difference between the Offer Price as determined and the maximum indicative Offer Price, payable upon application, in the event that the Offer Price is lower than the maximum indicative Offer Price, in each case including related brokerage of 1%, the Stock Exchange trading fee of 0.005% and the transaction levy of 0.004% imposed by the SFC, **without interest**. Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purpose. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of the refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of or may invalidate your refund cheque.

In a contingency situation involving a very high level of over-subscription, at the discretion of our Company and the Joint Global Coordinators and the Joint Sponsors, applications for certain small denominations of the Hong Kong Offer Shares may be eliminated in a pre-balloting. In such circumstances, the cheques or banker's cashier orders accompanying such applications on the Application Forms will not be presented for clearing.

Subject as mentioned below, refund cheques (if any) and share certificates for successful applicants under **WHITE** Application Forms are expected to be despatched on Tuesday, 9 February 2010. We reserve the right to retain any share certificates and any excessive application money pending clearance of cheque(s) or banker's cashier order(s).

If you have applied for 1,000,000 Hong Kong Offer Shares or more on a **WHITE** or **YELLOW** Application Form and have indicated your intention on your Application Form to collect your refund cheque (where applicable) and/or (for applicants using **WHITE** Application Forms) share certificate (where applicable) from our Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, and have provided all information required by your Application Form, you may collect (where applicable) your refund cheque and/or (where applicable) share certificate from our Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong on Tuesday, 9 February 2010 from 9:00 a.m. to 1:00 p.m. or any other date notified by us as the date of despatch of share certificates/refund cheques.

If you are an individual who opts for collection in person, you must not authorise any other person to make collection on your behalf. If you are a corporate applicant which opts for collection in person, the authorised representative bearing a letter of authorisation from the corporation stamped with the corporation's chop must be presented for collection. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Company's Hong Kong branch share registrar and transfer office. If you do not collect your share certificate and/or refund cheque, they will be despatched promptly to you by ordinary post to the address as specified in your Application Form at your own risk.

If you have applied for less than 1,000,000 Hong Kong Offer Shares or if you have applied for 1,000,000 Hong Kong Offer Shares or more on a **WHITE** or **YELLOW** Application Form but have not indicated in your Application Form that you wish to collect your share certificate (where applicable) and/or refund cheque in person, the share certificate (for applicants using **WHITE** Application Forms) and/or refund cheque (if applicable) will be sent to the address on your Application Form on Tuesday, 9 February 2010 or any other date notified by us as the date of despatch of share certificates/refund cheques by ordinary post and at your own risk.

Deposit of share certificates into CCASS

If you apply for the Hong Kong Offer Shares using a **YELLOW** Application Form or by giving **Electronic Application Instructions**, and your application is wholly or partially successful, your share certificate will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your CCASS Investor Participant's stock account or the stock account of your designated CCASS Participant as instructed by you at the close of business on Tuesday, 9 February 2010, or under contingent situation, on any other date as shall be determined by HKSCC or HKSCC Nominees.

If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant), you can check the number of the Hong Kong Offer Shares allotted to you (and the amount of refund money payable to you if you have instructed a CCASS Clearing Participant or a CCASS Custodian Participant to give **Electronic Application Instructions** on your behalf) with that CCASS Participant.

We expect to publish the application results of CCASS Participants using a **YELLOW** Application Form and the application results of CCASS Participants applying by giving **Electronic Application Instructions** (and where the CCASS Participants is a broker or custodian, we shall include information relating to the beneficial owner, the Hong Kong identity card numbers, passport numbers or other identification code (Hong Kong business registration number for corporations), if supplied) on Tuesday, 9 February 2010. You should check the announcement published by us and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 9 February 2010 or such other date as shall be determined by HKSCC or HKSCC Nominees. Applicants applying by giving **Electronic Application Instructions** can also check the result of application via the CCASS Phone System and CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Tuesday, 9 February 2010.

If you are applying as a CCASS Investor Participant, you can check your new account balance via the CCASS Phone System and CCASS Internet System immediately after the credit of the Hong Kong Offer Shares to your stock account. HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your stock account and (if you are applying by giving **Electronic Application Instructions** to HKSCC) the amount of refund money credited to your designated bank account.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence on Wednesday, 10 February 2010. Shares will be traded on the Stock Exchange in board lots of 1,000 each. The Stock Exchange stock code for the Shares is 1938.

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the independent reporting accountants, Ernst &Young, Certified Public Accountants, Hong Kong. As described in the section headed "Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection" in Appendix VII to this prospectus, a copy of the following Accountants' Report is available for inspection.

ERNST & YOUNG

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 set out below our report on the financial information regarding Chu Kong Petroleum and Natural Gas Steel Pipe Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended 31 December 2006, 2007 and 2008 and the eight months ended 31 August 2009 (the "Relevant Periods") and the eight months ended 31 August 2008 (the "31 August 2008 Financial Information"), prepared on the basis of presentation set forth in Section 2 below, for inclusion in the prospectus of the Company dated 28 January 2010 (the "Prospectus") in connection with the proposed listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company was incorporated in the Cayman Islands on 9 January 2008 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganisation as more fully explained in the paragraph headed "Corporate reorganisation" in "Appendix VI – Statutory and general information" to the Prospectus (the "Reorganisation"), which was completed on 23 January 2010, the Company became the holding company of the subsidiaries now comprising the Group.

The Group is principally engaged in the manufacture and sale of longitudinal seam welded steel pipes and the provision of related manufacturing services. The Company and its subsidiaries have adopted 31 December as their financial year end date. The particulars of the Company and its subsidiaries are set out in Section 2 below.

The financial statements of the companies now comprising the Group were prepared in accordance with the accounting principles and relevant financial regulations applicable to these companies and audited by certified public accountants as detailed in Section 2 below.

The combined statements of comprehensive income, combined statements of changes in equity and combined cash flow statements of the Group for the Relevant Periods and the combined statements of financial position of the Group as at 31 December 2006, 2007, 2008 and 31 August 2009, together with the notes thereto set out in this report (the "Financial Information") have been prepared based on the audited financial statements and, where appropriate, unaudited management accounts of the companies now comprising the Group, after making such adjustments as appropriate to comply with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB"), and have been prepared on the basis set out in Section 2 below. No statement of adjustments as defined under Rule 4.15 of the Rules Governing the Listing of Securities on the Stock Exchange is considered necessary.

The directors of the Company (the "Directors") are responsible for the preparation and the true and fair presentation of the Financial Information in accordance with IFRSs. The directors of the respective companies of the Group are responsible for the preparation and the true and fair presentation of the respective financial statements and, where appropriate, management accounts in accordance with the relevant accounting principles and financial regulations applicable to these companies. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the Financial Information, financial statements and management accounts that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances. It is our responsibility to form an independent opinion on the Financial Information in respect of the Relevant Periods and to report our opinion to you.

Procedures performed in respect of the Financial Information

For the purpose of this report, we have carried out an independent audit on the Financial Information for the Relevant Periods in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), and have carried out such additional procedures as are necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

Procedures performed in respect of the 31 August 2008 Financial Information

For the purpose of this report, we have also performed a review of the 31 August 2008 Financial Information in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with HKSAs and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the 31 August 2008 Financial Information.

Opinion in respect of the Financial Information for the Relevant Periods

In our opinion, the Financial Information for the Relevant Periods prepared on the basis of presentation set out in Section 2 below gives, for the purpose of this report, a true and fair view of the state of affairs of the Group as at 31 December 2006, 2007, 2008 and 31 August 2009, and that of the Company as at 31 December 2008 and 31 August 2009, and of the combined results and cash flows of the Group for each of the Relevant Periods in accordance with IFRSs.

Review conclusion in respect of the 31 August 2008 Financial Information

On the basis of our review, for the purpose of this report, nothing has come to our attention that causes us to believe that the 31 August 2008 Financial Information is not prepared, in all material respects, in accordance with IFRSs.

1. FINANCIAL INFORMATION

Combined statements of comprehensive income

		Year ended 31 December			Eight months ended 31 August	
	Sections	**2006**	**2007**	**2008**	**2008**	**2009**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
REVENUE	*7*	1,099,741	1,458,028	2,624,639	1,683,314	2,021,303
Cost of sales		(919,865)	(1,191,977)	(2,087,689)	(1,292,521)	(1,573,330)
Gross profit		179,876	266,051	536,950	390,793	447,973
Other income and gains	*7*	2,496	3,253	6,430	2,923	31,287
Selling and distribution costs		(47,408)	(63,106)	(57,172)	(37,809)	(51,675)
Administrative expenses		(36,976)	(48,616)	(90,033)	(45,004)	(48,836)
Other expenses		(1,635)	(2,876)	(4,000)	(2,717)	(600)
Finance costs	*8*	(43,185)	(45,439)	(65,186)	(39,418)	(28,778)
Exchange loss, net		(1,544)	(10,692)	(9,021)	(10,528)	(661)
Share of profit of a jointly-controlled entity		2,475	–	–	–	–
PROFIT BEFORE TAX	*9*	54,099	98,575	317,968	258,240	348,710
Tax	*12*	(16,102)	(28,224)	(42,504)	(43,911)	(47,547)
PROFIT FOR THE YEAR/ PERIOD		37,997	70,351	275,464	214,329	301,163
Other comprehensive income:						
Exchange differences on translating foreign operations		1,424	2,897	1,925	742	(19)
Income tax relating to component of other comprehensive income		–	–	–	–	–
Other comprehensive income for the year/period, net of tax		1,424	2,897	1,925	742	(19)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD		39,421	73,248	277,389	215,071	301,144
Profit attributable to:						
Equity holders of the Company		37,997	70,351	275,464	214,329	301,163
Total comprehensive income attributable to:						
Equity holders of the Company		39,421	73,248	277,389	215,071	301,144

Combined statements of financial position

	Sections	31 December 2006 RMB'000	31 December 2007 RMB'000	31 December 2008 RMB'000	31 August 2009 RMB'000
NON-CURRENT ASSETS					
Property, plant and equipment	*15*	348,795	458,063	479,637	472,439
Deposit paid for purchases of items of property, plant and equipment		7,112	14,703	25,009	71,554
Prepaid land lease payments	*16*	91,118	88,965	86,812	85,376
Goodwill	*17*	–	4,075	4,075	4,075
Interest in a jointly-controlled entity	*18*	10,054	–	–	–
Deferred tax assets	*19*	1,452	1,856	1,066	1,652
Pledged deposits	*23*	14,675	7,082	37,537	15,149
Total non-current assets		473,206	574,744	634,136	650,245
CURRENT ASSETS					
Inventories	*20*	224,818	428,538	710,694	500,895
Trade receivables	*21*	165,704	279,261	240,183	577,540
Prepayments, deposits and other receivables	*22*	171,858	332,479	168,225	175,425
Pledged deposits	*23*	40,601	45,058	183,772	149,221
Cash and bank balances	*23*	89,434	113,694	41,765	104,728
Total current assets		692,415	1,199,030	1,344,639	1,507,809
TOTAL ASSETS		1,165,621	1,773,774	1,978,775	2,158,054
CURRENT LIABILITIES					
Trade and bills payables	*24*	109,916	83,445	198,326	268,640
Interest-bearing bank loans and government loans	*25*	404,890	1,084,519	637,706	637,655
Other payables and accruals	*26*	65,313	233,874	385,491	252,723
Tax payable		6,405	20,182	26,652	27,061
Due to the ultimate shareholder	*34*	19,171	338	15,282	25,698
Total current liabilities		605,695	1,422,358	1,263,457	1,211,777
NET CURRENT ASSETS/ (LIABILITIES)		86,720	(223,328)	81,182	296,032
TOTAL ASSETS LESS CURRENT LIABILITIES		559,926	351,416	715,318	946,277

	Sections	31 December 2006	2007	2008	31 August 2009
		RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT LIABILITIES					
Interest-bearing bank loans and government loans	25	285,581	–	111,000	90,000
Due to the ultimate shareholder	34	26,000	26,000	–	–
Government grants	27	1,850	2,168	3,681	4,211
Total non-current liabilities		313,431	28,168	114,681	94,211
Net assets		246,495	323,248	600,637	852,066
EQUITY					
Equity attributable to equity holders of the Company					
Issued capital	28	–	–	–	–
Reserves	29	246,495	323,248	600,637	852,066
Total equity		246,495	323,248	600,637	852,066
TOTAL EQUITY AND LIABILITIES		1,165,621	1,773,774	1,978,775	2,158,054

Combined statements of changes in equity

	Attributable to equity holders of the Company						
	Issued capital *RMB'000*	**Contributed surplus** *RMB'000* *Note (a)*	**Capital reserve** *RMB'000* *Note (b)*	**Statutory Reserve funds** *RMB'000* *Note (c)*	**Retained profits/ (accumulated losses)** *RMB'000*	**Exchange fluctuation reserve** *RMB'000*	**Total** *RMB'000*
At 1 January 2006	–	217,096	57,607	–	(81,427)	1,027	194,303
Capital contribution	–	12,771	–	–	–	–	12,771
Total comprehensive income for the year	–	–	–	–	37,997	1,424	39,421
At 31 December 2006 and 1 January 2007	–	229,867*	57,607*	–	(43,430)*	2,451*	246,495
Capital contribution	–	3,505	–	–	–	–	3,505
Total comprehensive income for the year	–	–	–	–	70,351	2,897	73,248
Profit appropriation to reserves	–	–	–	6,422	(6,422)	–	–
At 31 December 2007 and 1 January 2008	–	233,372*	57,607*	6,422*	20,499*	5,348*	323,248
Total comprehensive income for the year	–	–	–	–	275,464	1,925	277,389
Profit appropriation to reserves	–	–	–	26,594	(26,594)	–	–
At 31 December 2008 and 1 January 2009	–	233,372*	57,607*	33,016*	269,369*	7,273*	600,637
Total comprehensive income for the period	–	–	–	–	301,163	(19)	301,144
Dividends	–	–	–	–	(49,715)	–	(49,715)
At 31 August 2009	–	233,372*	57,607*	33,016*	520,817*	7,254*	852,066

	Attributable to equity holders of the Company						
	Issued capital *RMB'000*	**Contributed surplus** *RMB'000* *Note (a)*	**Capital reserve** *RMB'000* *Note (b)*	**Statutory reserve funds** *RMB'000* *Note (c)*	**Retained profits** *RMB'000*	**Exchange fluctuation reserve** *RMB'000*	**Total** *RMB'000*
(Unaudited)							
At 1 January 2008	–	233,372	57,607	6,422	20,499	5,348	323,248
Total comprehensive income for the period	–	–	–	–	214,329	742	215,071
At 31 August 2008	–	233,372	57,607	6,422	234,828	6,090	538,319

* These reserve accounts comprise the combined reserves of RMB246,495,000, RMB323,248,000, RMB600,637,000 and RMB852,066,000 in the combined statements of financial position as at 31 December 2006, 2007, 2008 and 31 August 2009, respectively.

Notes:

(a) The contributed surplus of the Group represents the difference between the nominal value of shares of the subsidiaries acquired pursuant to the Group Reorganisation, over the nominal value of the Company's shares issued in exchange therefore.

(b) Capital reserve represents the excess capital paid over the registered capital of Panyu Chu Kong Steel Pipe Co., Ltd. ("PCKSP") by Lessonstart Enterprises Limited ("Lessonstart").

(c) In accordance with the Company Law of the People's Republic of China (the "PRC"), the Company's subsidiaries registered in the PRC are required to appropriate 10% of the annual statutory net profit after tax (after offsetting any prior years' losses) to the statutory reserve fund. When the balance of the statutory reserve fund reaches 50% of each entity's registered capital, any further appropriation is optional. The statutory reserve fund can be utilised to offset prior years' losses or to increase the registered capital. However, such balance of the statutory reserve fund must be maintained at a minimum of 25% of the registered capital after such usages.

Combined cash flow statements

	Sections	Year ended 31 December 2006 RMB'000	2007 RMB'000	2008 RMB'000	Eight months ended 31 August 2008 RMB'000 (Unaudited)	2009 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax		54,099	98,575	317,968	258,240	348,710
Adjustments for:						
Finance costs	8	43,185	45,439	65,186	39,418	28,778
Bank interest income	7	(1,304)	(2,096)	(4,546)	(1,629)	(3,294)
Gain on collection of a held-to-maturity investment	7	(14)	–	–	–	–
Loss/(gain) on disposal of items of property, plant and equipment, net	15	175	1,648	–	–	(26,450)
Depreciation	15	24,832	27,119	35,259	23,461	23,569
Amortisation of prepaid land lease payments	16	2,153	2,153	2,153	1,436	1,436
Impairment of trade receivables	21	4,055	1,071	82	413	4,154
Impairment/(reversal of impairment) of deposits and other receivables	22	15	(71)	(586)	99	(555)
Share of profit of a jointly-controlled entity		(2,475)	–	–	–	–
		124,721	173,838	415,516	321,438	376,348
Decrease/(increase) in inventories		31,343	(202,323)	(282,156)	(216,746)	209,799
Decrease/(increase) in trade receivables		(81,608)	(108,172)	38,996	(9,618)	(341,511)
Decrease/(increase) in prepayments, deposits and other receivables		(14,144)	(158,978)	164,840	38,685	(6,645)
Decrease/(increase) in pledged deposits		31,322	13,447	(86,795)	(38,682)	50,995
Increase/(decrease) in trade and bills payables		(53,812)	(30,207)	114,881	252,240	70,314
Increase/(decrease) in other payables and accruals		(24,154)	163,612	150,126	40,556	(145,795)
Increase/(decrease) in an amount due to the ultimate shareholder		32,236	(18,833)	(11,056)	(24,663)	10,416
Increase in government grants		316	318	1,513	–	530
Cash generated from/(used in) operations		46,220	(167,298)	505,865	363,210	224,451
Interest received	7	1,304	2,096	4,546	1,629	3,294
Interest paid		(43,170)	(46,066)	(65,321)	(38,867)	(29,378)
Corporate income tax paid		–	(14,845)	(29,618)	(31,730)	(47,724)
Net cash inflow/(outflow) from operating activities		4,354	(226,113)	415,472	294,242	150,643

	Sections	Year ended 31 December 2006 RMB'000	2007 RMB'000	2008 RMB'000	Eight months ended 31 August 2008 RMB'000 (Unaudited)	2009 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES						
Dividends received from a jointly-controlled entity		3,450	1,879	–	–	–
Purchases of items of property, plant and equipment		(16,952)	(139,020)	(67,405)	(19,742)	(139,011)
Capital contribution received		12,771	3,505	–	–	–
Proceeds from collection of a held-to-maturity investment		418	–	–	–	–
Proceeds from disposal of items of property, plant and equipment		–	–	–	–	116,167
Acquisition of a subsidiary	30	–	(2,748)	(4,000)	(4,000)	–
Net cash outflow from investing activities		(313)	(136,384)	(71,405)	(23,742)	(22,844)
CASH FLOWS FROM FINANCING ACTIVITIES						
New bank loans and government loans		937,843	1,594,691	2,354,283	1,388,606	1,255,856
Repayment of bank loans and government loans		(908,599)	(1,193,078)	(2,683,046)	(1,514,628)	(1,276,889)
Dividends paid		–	–	–	–	(49,715)
Net cash inflow/(outflow) from financing activities		29,244	401,613	(328,763)	(126,022)	(70,748)
NET INCREASE IN CASH AND CASH EQUIVALENTS		33,285	39,116	15,304	144,478	57,051
Exchange realignment		(2,711)	(4,545)	(4,859)	(5,978)	(32)
Cash and cash equivalents at beginning of year/period		84,646	115,220	149,791	149,791	160,236
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		115,220	149,791	160,236	288,291	217,255
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS						
Cash and bank balances	23	89,434	113,694	41,765	73,022	104,728
Pledged bank deposits with original maturity of less than three months when acquired	23	25,786	36,097	118,471	215,269	112,527
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		115,220	149,791	160,236	288,291	217,255

2. CORPORATE INFORMATION AND BASIS OF PRESENTATION

The Company is a limited company incorporated in the Cayman Islands. The Company's registered office is located at the office of Codan Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. It became the holding company of the Group as a result of the Reorganisation as described in the paragraph headed "Corporate reorganisation" in "Appendix VI – Statutory and general information" to the Prospectus.

For the purpose of this report, the Financial Information has been prepared to reflect the reorganisation of the entities under common control, in which the Company, Lessonstart, Lucknow Consultants Limited ("Lucknow"), Crown Central Holdings Ltd. ("Crown Central"), Chu Kong Steel Pipe Group Co., Ltd. ("CKSPG"), PCKSP, Guangzhou Pearl River Petrol-Fittings Co., Ltd. ("GPR Petrol-Fittings"), Guangzhou Pearl River OCTG Co., Ltd. ("GPR Casing Pipe"), Guangzhou Pearl River Petroleum Steel Pipe Coating Co., Ltd. ("GPR Coating"), Guangzhou Pearl River Petroleum Steel Pipe Co., Ltd. ("GPR Steel Pipe"), and Panyu Chu Kong Steel Pipe (Lianyungang) Co., Ltd. ("PCKSP (Lianyungang)") are ultimately controlled by Mr. Chen Chang before and after the completion of the Reorganisation.

The Reorganisation is accounted for using the merger accounting upon completion. The Financial Information as set out in this report is prepared on a combined basis as prescribed by Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

For the purpose of this report, the combined statements of comprehensive income, combined cash flow statements and combined statements of changes in equity of the Group for the Relevant Periods, have been prepared on a combined basis and include the financial information of the companies now comprising the Group as if the current group structure had been in existence throughout the Relevant Periods, or since their respective dates of incorporation/establishment, whichever is the shorter period.

The combined statements of financial position of the Group as at 31 December 2006, 2007, 2008 and 31 August 2009 have been prepared to present the assets and liabilities of the Group as at those dates as if the current group structure had been in existence at those dates or since their respective dates of incorporation/establishment or acquisition where they did not exist at those dates.

As set out in more details in the paragraph headed "Hualong Anti-Corrosion" in the section of "Corporate history, development and Reorganisation" to the Prospectus, the Group has acquired an additional equity interest in Guangzhou Panyu Chu Kong Hualong Petroleum Steel Pipe Anti-Corrosion Co., Ltd. ("Hualong Anti-Corrosion") during the Relevant Periods. The acquisition of the additional equity interest in Hualong Anti-Corrosion was accounted for using the purchase method.

All material intra-group transactions and balances have been eliminated on combination.

As at the date of this report, the Company had direct or indirect interests in the following subsidiaries, all of which have characteristics substantially similar to a private company incorporated in Hong Kong, the particulars of which are set out below:

Company name	Place and date of incorporation/ establishment	Nominal value of issued shares/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct %	Indirect %	
Lessonstart[(1)]	British Virgin Islands 18 May 1993	US$300	100	–	Investment holding
Lucknow[(1)]	British Virgin Islands 22 November 1994	US$10	–	100	Investment holding
Crown Central[(2)]	Hong Kong 21 March 1995	HK$1,000	–	100	Trading of steel pipes

Company name	Place and date of incorporation/ establishment	Nominal value of issued shares/ registered capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
CKSPG[3]	Hong Kong 13 December 2007	HK$100,000	–	100	Investment holding
PCKSP (番禺珠江鋼管有限公司)[4]	The PRC 7 June 1993	HK$200,000,000	–	100	Manufacture and sale of seam welded steel pipes
GPR Petrol-Fittings (廣州珍珠河石化管件有限公司)[5]	The PRC 16 October 2006	HK$5,000,000	–	100	Manufacture and sale of pipe parts
GPR Casing Pipe (廣州珍珠河石油套管有限公司)[5]	The PRC 16 October 2006	HK$21,000,000	–	100	Manufacture and sale of casting pipes
GPR Coating (廣州珍珠河石油鋼管防腐有限公司)[5]	The PRC 16 October 2006	HK$10,000,000	–	100	Steel pipe casting and lining services
GPR Steel Pipe (廣州珍珠河石油鋼管有限公司)[5]	The PRC 16 October 2006	HK$50,000,000	–	100	Manufacture and sale of seam welded steel pipes
PCKSP (Lianyungang)[6] (番禺珠江鋼管(連雲港)有限公司)	The PRC 8 July 2009	RMB700,000,000	–	100	Manufacture and sale of seam welded steel pipes
Hualong Anti-Corrosion (廣州市番禺珠江華龍石油鋼管防腐有限公司)[7]	The PRC 19 October 1999	RMB2,060,000	–	100	Steel pipe casting and lining services

Except for Hualong Anti-Corrosion and PCKSP (Lianyungang) which were established as Sino-foreign joint venture enterprise and domestic-funded enterprise, respectively, all the above PRC companies are wholly foreign-owned companies.

As at the date of this report, no statutory audited financial statements have been prepared for the Company since the date of its incorporation as the Company has not been involved in any significant business transactions other than the Reorganisation and other events described in the paragraph headed "Corporate reorganisation" in "Appendix VI – Statutory and general information" to the Prospectus. We have, however, performed our own independent audit of all relevant transactions of the Company since the date of its incorporation.

Notes:

(1) No statutory audited financial statements have been prepared for Lessonstart and Lucknow as they are not subject to any statutory audit requirements under its jurisdiction of incorporation.

(2) The statutory financial statements for the year ended 2006 were audited by K.M. Chan & Company, Certified Public Accountants. The statutory financial statements for the years ended 31 December 2007 and 2008 were audited by Ernst & Young, certified public accountants registered in Hong Kong.

(3) No statutory audited financial statements have been issued for CKSPG since the date of its establishment as CKSPG has not carried out any business.

(4) The statutory financial statements for the years ended 31 December 2006, 2007 and 2008 were audited by Guangzhou Pei Feng Certified Public Accountants Co., Ltd. (廣州沛豐會計師事務所有限公司), certified public accountants registered in the PRC.

(5) No statutory audited financial statements have been issued for these companies for the year ended 31 December 2006 as they had not carried out any business since the date of their establishment . The statutory financial statements for the years ended 31 December 2007 and 2008 were audited by Guangzhou Jian Hong Certified Public Accountants Co., Ltd. (廣州建弘會計師事務所有限公司), certified public accountants registered in the PRC.

(6) No statutory audited financial statements have been issued for PCKSP (Lianyungang) since the date of its establishment as PCKSP (Lianyugang) has not carried out any business.

(7) The statutory financial statements for the year ended 31 December 2006 were audited by Guangzhou Shu Cheng Certified Public Accountants Co., Ltd. (廣州數誠會計師事務所有限公司), certified public accountants registered in the PRC. The statutory financial statements for the years ended 31 December 2007 and 2008 were audited by Guangzhou Jian Hong Certified Public Accountants Co., Ltd. (廣州建弘會計師事務所有限公司), certified public accountants registered in the PRC.

3. BASIS OF PREPARATION

The Financial Information has been prepared in accordance with IFRSs, which comprise standards and interpretations approved by the IASB and the International Accounting Standards and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect.

The IASB issued a number of new or revised IFRSs which are generally effective for annual periods beginning on or after 1 January 2006, 1 January 2007, 1 January 2008 and 1 January 2009.

For the purpose of preparing and presenting the Financial Information, the Group has early adopted all these new and revised IFRSs that are relevant to the Group's operations as at the beginning of the Relevant Periods. These are the first IFRS consolidated financial statements of the Group. IFRS 1 "First-time Adoption of International Financial Reporting Standards" has been applied in preparing the Financial Information. As the Company was incorporated on 9 January 2008, the Group did not present financial statements for previous periods. Accordingly, no reconciliation of the effect of the transition from the relevant accounting principles and financial regulations applicable to the previous Generally Accepted Accounting Principles ("GAAP") to IFRSs is presented.

The accounting policies set out in section 4 below have been applied consistently to all periods in this Financial Information and in preparing an opening IFRS statement of financial position as of 1 January 2006 for the purpose of the transition to IFRS. The Financial Information also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

The Financial Information has been prepared under the historical cost convention. The Financial Information is prepared in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in the Financial Information:

IFRS 1 (Revised)	*First-time Adoption of IFRSs* [1]
IFRS 1 Amendments	Amendments to IFRS 1 *First-time Adoption of IFRSs – Additional Exemptions for First-time Adopters* [3]
IFRS 2 Amendments	Amendments to IFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions* [3]
IFRS 3 (Revised)	*Business Combinations* [1]
IFRS 9	*Financial Instruments*[7]
IAS 24 (Revised)	*Related party disclosures*[5]
IAS 27 (Revised)	*Consolidated and Separate Financial Statements* [1]
IAS 32 Amendment	Amendment to IAS 32 *Financial Instruments: Presentation – Classification of Rights Issues* [4]
IAS 39 Amendment	Amendment to IAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items* [1]
IFRIC 9 and IAS 39 Amendments	Amendments to IFRIC 9 *Reassessment of Embedded Derivatives* and IAS 39 *Financial Instruments: Recognition and Measurement – Embedded Derivatives* [2]
IFRIC 14 Amendment	*Prepayment of a Minimum Funding Requirement*[5]
IFRIC 17	*Distribution of Non-cash Assets to Owners* [1]
IFRIC 19	*Extinguishing Financial Liabilities with Equity Instruments*[6]

Apart from the above, IASB has issued *Improvements to IFRSs* in April 2009 which sets out amendments to a number of IFRSs primarily with a view to removing inconsistencies and clarifying wording. Improvements to IFRSs issued in April 2009 contains amendments to IFRS 2, IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, Appendix to IAS 18, IAS 36, IAS 38, IAS 39, IFRIC 9 and IFRIC 16. Except for the amendments to IFRS 2, IAS 38, IFRIC 9 and IFRIC 16 which are effective for annual periods beginning on or after 1 July 2009 and no transitional provisions for amendment to Appendix to IAS 18 has been specified, other amendments are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard.

[1] Effective for annual periods beginning on or after 1 July 2009
[2] Effective for annual periods ending on or after 30 June 2009
[3] Effective for annual periods beginning on or after 1 January 2010
[4] Effective for annual periods beginning on or after 1 February 2010
[5] Effective for annual periods beginning on or after 1 January 2011
[6] Effective for annual periods beginning on or after 1 July 2010
[7] Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the impact of these new, revised and amended IFRSs and IFRIC upon initial application. So far, it has concluded that while the adoption of IFRS 3 (Revised) and IAS 27 (Revised) may result in changes in accounting policies, the other new and revised IFRS and IFRICs are unlikely to have any significant impact on the Group's results of operations and financial position.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted by the Group in arriving at the Financial Information set out in this report, which conform to IFRSs, are set out below:

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

The acquisition of subsidiaries during the year has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as:

(a) a subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture;

(b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

(c) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or

(d) an equity investment accounted for in accordance with IAS 39, if the Group holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

Jointly-controlled entity

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's share of the post-acquisition results and reserves of a jointly-controlled entity is included in the combined statements of comprehensive income and combined reserves, respectively. The Group's interest in a jointly-controlled entity is stated in the combined statements of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill arising on acquisition is recognised in the combined statements of financial position as an asset, initially measured at cost and subsequently at cost less any impairment losses.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

An impairment loss recognised for goodwill is not reversed in a subsequent period.

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is a jointly-controlled entity;

(c) the party is a member of the key management personnel of the Group or its parent;

(d) the party is a close member of the family of any individual referred to in (a) or (c);

(e) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (c) or (d); or

(f) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of comprehensive income in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal estimated useful lives and residual values used for this purpose are as follows:

	Estimated useful lives	**Residual values**
Land and buildings	40 years	10%
Plant and machinery	12~16 years	10%
Office and other equipment	3~15 years	10%
Motor vehicles	10 years	10%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each date of the statement of financial position.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the combined statements of comprehensive income in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings, plant and machinery under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under the operating leases net of any incentives received from the lessor are charged to the combined statements of comprehensive income on the straight-line basis over the lease terms.

Prepaid land lease payments represent the cost of land use rights paid to the PRC government authorities. Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Impairment of non-financial assets other than goodwill

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of comprehensive income in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of comprehensive income in the period in which it arises.

Investments and other financial assets

Financial assets in the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, and held-to-maturity investment, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Group assesses whether a contract contains an embedded derivative when the Group first becomes a party to it and assesses whether an embedded derivative is required to be separated from the host contract when the analysis shows that the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the date of the statement of financial position.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Group has the positive intention and ability to hold to maturity. Held-to-maturity investments are subsequently measured at amortised cost less any allowance for impairment. Amortised cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. Gains and losses are recognised in the combined statements of comprehensive income when the investments are derecognised or impaired, as well as through the amortisation process.

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the date of the statement of financial position. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; and a discounted cash flow analysis.

Impairment of financial assets

The Group assesses at each date of the statement of financial position whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the combined statements of comprehensive income. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognised in the statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade and other receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor and significant changes in the technological, market economic or legal environment that have an adverse effect on the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

– the rights to receive cash flows from the asset have expired;

– the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

– the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities at amortised cost (including interest-bearing bank loans and government loans)

Financial liabilities including trade and other payables, an amount due to the ultimate shareholder, and interest-bearing bank loans and government loans are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised within "finance costs" in the statement of comprehensive income.

Gains and losses are recognised in the combined statements of comprehensive income when the liabilities are derecognised as well as through the amortisation process.

Financial guarantee contracts

Financial guarantee contracts in the scope of IAS 39 are accounted for as financial liabilities. A financial guarantee contract is recognised initially at its fair value less transaction costs that are directly attributable to the acquisition or issue of the financial guarantee contract, except when such contract is recognised at fair value through profit or loss. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the statement of financial position date; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with IAS 18 *Revenue*.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the combined statements of comprehensive income.

Inventories

Inventories are valued at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and conditions are accounted for as follows:

Raw materials	Purchase cost on the weighted average basis
Finished goods and work in progress	Cost of direct materials and labour and an appropriate proportion of overheads

Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the combined cash flow statements, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the combined statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the combined statements of comprehensive income as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in central pension schemes operated by the local municipal government. These subsidiaries are required to contribute certain percentages of its payroll costs to the central pension schemes. The contributions are charged to the combined statements of comprehensive income as they become payable in accordance with the rules of the central pension schemes.

Other benefits

The Group contributes on a monthly basis to defined contribution housing, medical and other benefit plans organised by the PRC government. The PRC government undertakes to assume the benefit obligations of all existing and retired employees under these plans. Contributions to these plans by the Group are expensed as incurred. The Group has no further obligations for benefits for their qualified employees under these plans.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) from the rendering of manufacturing services, when underlying services have been rendered; and

(c) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is deducted from the carrying amount of the asset and released to the combined statements of comprehensive income by way of a reduced depreciation charge.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are recognised as expenses in the combined statements of comprehensive income in the period in which they are incurred.

Dividends

Dividends are simultaneously proposed and declared. Consequently, dividends are recognised immediately as a liability when they are proposed and declared.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the date of the statement of financial position of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the combined statements of comprehensive income.

Income tax

Income tax comprises current and deferred income tax. Income tax is recognised in the combined statements of comprehensive income, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred income tax is provided, using the liability method, on all temporary differences at the date of the statement of financial position between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

(a) where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

(b) in respect of taxable temporary differences associated with investments in subsidiaries and an interest in a joint venture, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

(a) where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

(b) in respect of deductible temporary differences associated with investments in subsidiaries and an interest in a joint venture, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each date of the statement of financial position and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each date of the statement of financial position and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the date of the statement of financial position.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Foreign currencies

These financial statements are presented in RMB, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the date of the statement of financial position. All differences are taken to the combined statements of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries are currencies other than RMB. As at the date of the statement of financial position, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the date of the statement of financial position and their statements of comprehensive income are translated into RMB at the weighted average exchange rates for the year. The resulting exchange differences are included in the exchange fluctuation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the statement of comprehensive income.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year or for the period.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in these financial statements:

Income tax provisions

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates the tax implications of transactions and tax provisions are made accordingly. The tax treatment of such transactions is assessed periodically to take into account all the changes in the tax legislations and practices.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the date of statement of financial position, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of non-financial assets

The Group determines whether an asset is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the asset is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. A change in the estimated future cash flows and/or the discount rate applied will result in an adjustment to the estimated impairment provision previously made.

Useful lives and residual values of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Additional depreciation is made if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from the previous estimation. Useful lives and residual values are reviewed, at each financial year end date based on changes in circumstances.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses carried forward to the extent that it is probable (i.e., more likely than not) that future taxable profits will be available against which the unused tax losses can be utilised, based on all available evidence. Recognition primarily involves judgements regarding the future performance of the particular legal entity or tax group in which the deferred tax asset has been recognised. A variety of other factors are also evaluated in considering whether there is convincing evidence that it is probable that some portion or all of the deferred tax assets will ultimately be realised, such as the existence of taxable temporary differences, tax planning strategies and the periods in which estimated tax losses can be utilised. The carrying amounts of the deferred tax assets and related financial models and budgets are reviewed at each date of the statement of financial position and to the extent that there is insufficient convincing evidence that sufficient taxable profits will be available within the utilisation periods to allow the utilisation of the carryforward of tax losses, that the asset balance will be reduced and charged to the combined statements of comprehensive income.

Write-down of inventories to net realisable value

Write-down of inventories to net realisable value is made based on the estimated net realisable value of the inventories. The assessment of the write-down required involves management's judgement and estimates. Where the actual outcome or expectation in future is different from the original estimate, such differences will have impact on the carrying amounts of inventories and the write-down charge/write-back in the period in which such estimate has been changed.

6. SEGMENT INFORMATION

For management purpose, the Group is organised into business units based on their products and services, and has one reportable operating segment: manufacture and sale of seam welded steel pipes and the provision of related manufacturing services. Management monitors the operating results of its business unit as a whole for the purpose of making decisions about resource allocation of performance assessment.

Information about products

The revenue of the major products is analysed as follows:

	Year ended 31 December			Eight months ended 31 August	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Manufacture and sales of steel pipes:					
LSAW steel pipes	800,234	1,190,292	2,213,126	1,426,750	1,270,428
ERW steel pipes	211,947	174,290	201,180	78,636	633,111
Steel pipe manufacturing services:					
LSAW steel pipes	40,054	44,134	162,773	149,251	29,721
ERW steel pipes	20,633	4,992	3,738	3,567	2,568
Others*	26,873	44,320	43,822	25,110	85,475
	1,099,741	1,458,028	2,624,639	1,683,314	2,021,303

* Others mainly included the manufacture and sale of steel fittings, trading of steel pipes and sale of scrap materials.

Information about geographical areas

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers.

The following table presents the revenue information for the Group's geographical segments for the Relevant Periods:

	Year ended 31 December			Eight months ended 31 August	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Sales to external customers:					
Mainland China	599,523	663,590	1,252,643	902,077	752,700
America	145,507	291,498	613,451	228,634	164,105
European Union	217,104	11,803	61,742	26,566	97,466
Middle East	13,699	225,085	325,639	228,610	718,947
Other Asian countries	80,351	155,485	290,856	229,202	185,033
Others	43,557	110,567	80,308	68,225	103,052
	1,099,741	1,458,028	2,624,639	1,683,314	2,021,303

Over 90% of the Group's assets and capital expenditure are located in Mainland China.

Information about major customers

For the year ended 31 December 2006, revenue from one of the Group's customers amounting to RMB206,647,000 accounted for over 10% of the Group's total revenue. For the year ended 31 December 2007, none of the Group's sales to a single customer amounted to 10% or more of the Group's total revenue. For the year ended 31 December 2008, revenue from two customers of the Group amounting to RMB366,366,000 and RMB344,742,000 had individually accounted for over 10% of the Group's total revenue. For the eight months ended 31 August 2008, revenue from two customers of the Group amounting to RMB327,717,000 and RMB173,695,000 had individually accounted for over 10% of the Group's total revenue. For the eight months ended 31 August 2009, revenue from two customers of the Group amounting to RMB550,453,000 and RMB358,462,000 had individually accounted for over 10% of the Group's total revenue.

7. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the invoiced value of goods sold, net of value-added tax ("VAT") and other sales taxes, after allowances for returns and discounts; and the value of services rendered, net of business taxes and surcharges during the Relevant Periods.

An analysis of the Group's revenue, other income and gains is as follows:

	Year ended 31 December			Eight months ended 31 August	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Revenue					
Manufacture and sale of seam welded steel pipes and the provision of related manufacturing services	1,099,741	1,458,028	2,624,639	1,683,314	2,021,303
Other income and gains					
Bank interest income	1,304	2,096	4,546	1,629	3,294
Gain on collection of a held-to-maturity investment	14	–	–	–	–
Gain on disposal of items of property, plant and equipment	–	–	–	–	26,563
Subsidy income from the PRC government	1,160	896	1,415	1,104	759
Compensation	18	–	458	162	663
Others	–	261	11	28	8
	2,496	3,253	6,430	2,923	31,287

Subsidy income represented subsidies granted by the local finance bureau to PCKSP as an encouragement to its technological innovation and improvements. There are no unfulfilled conditions or contingencies relating to such subsidies.

8. FINANCE COSTS

	Year ended 31 December			Eight months ended 31 August	
	2006	2007	2008	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Interest on bank loans and government loans	43,185	45,439	65,186	39,418	28,778

9. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

		Year ended 31 December			Eight months ended 31 August	
		2006	2007	2008	2008	2009
	Sections	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
Cost of inventories sold		839,686	1,098,465	1,931,112	1,196,143	1,430,741
Depreciation	*15*	24,832	27,119	35,259	23,461	23,569
Amortisation of prepaid land lease payments	*16*	2,153	2,153	2,153	1,436	1,436
Minimum lease payments under operating leases in respect of buildings		303	2,819	9,535	7,644	920
Auditors' remuneration		91	549	4,725	590	713
Exchange loss, net		1,544	10,692	9,021	10,528	661
Finance costs	*8*	43,185	45,439	65,186	39,418	28,778
Employee benefit expenses (including Directors' remuneration (Section 10)):						
Wages and salaries		20,050	29,048	66,956	44,075	43,490
Retirement benefit scheme contributions		1,207	1,433	5,594	3,401	3,461
Impairment of trade receivables	*21*	4,055	1,071	82	413	4,154
Impairment/(reversal of impairment) of deposits and other receivables	*22*	15	(71)	(586)	99	(555)
Bank interest income	*7*	(1,304)	(2,096)	(4,546)	(1,629)	(3,294)
Gain on collection of a held-to-maturity investment	*7*	(14)	–	–	–	–
Loss/(gain) on disposal of items of property, plant and equipment, net		175	1,648	–	–	(26,450)
Research and development costs		864	1,329	2,505	1,847	3,026

10. DIRECTORS' REMUNERATION

Details of Directors' remuneration are as follows:

	Year ended 31 December			Eight months ended 31 August	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Fees	–	–	–	–	–
Other emoluments:					
Salaries, bonuses, allowances and benefits in kind	587	942	1,224	816	816
Retirement benefit scheme contributions	45	39	32	20	20
	632	981	1,256	836	836

(a) Independent non-executive directors

Mr. Chen Ping, Mr. Liang Guo Yao and Mr. See Tak Wah were appointed as the independent non-executive directors of the Company on 23 January 2010. There were no fees or other emoluments payable to independent non-executive directors during the Relevant Periods.

(b) Executive directors

	Fees	Salaries, allowances and benefits in kind	Retirement benefit scheme contributions	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2006				
Executive directors:				
Mr. Chen Chang	–	291	17	308
Ms. Chen Zhao Nian	–	146	14	160
Ms. Chen Zhao Hua	–	150	14	164
	–	587	45	632

	Fees	Salaries, allowances and benefits in kind	Retirement benefit contribution	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2007				
Executive directors:				
Mr. Chen Chang	–	418	11	429
Ms. Chen Zhao Nian	–	260	14	274
Ms. Chen Zhao Hua	–	264	14	278
	–	942	39	981
Year ended 31 December 2008				
Executive directors:				
Mr. Chen Chang	–	456	6	462
Ms. Chen Zhao Nian	–	384	13	397
Ms. Chen Zhao Hua	–	384	13	397
	–	1,224	32	1,256
Eight months ended 31 August 2008				
Executive directors:				
Mr. Chen Chang	–	304	4	308
Ms. Chen Zhao Nian	–	256	8	264
Ms. Chen Zhao Hua	–	256	8	264
	–	816	20	836
Eight months ended 31 August 2009				
Executive directors:				
Mr. Chen Chang	–	304	4	308
Ms. Chen Zhao Nian	–	256	8	264
Ms. Chen Zhao Hua	–	256	8	264
	–	816	20	836

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the Relevant Periods are analysed as follows:

	Year ended 31 December			Eight months ended 31 August	
	2006	**2007**	**2008**	**2008**	**2009**
				(Unaudited)	
Directors	1	3	3	3	3
Non-director, highest paid employees	4	2	2	2	2
	5	5	5	5	5

Details of the remuneration of the above non-director, highest paid employees during the Relevant Periods are as follows:

	Year ended 31 December			Eight months ended 31 August	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Salaries, allowances and benefits in kind	768	1,083	1,887	1,344	1,274
Retirement benefit scheme contributions	46	33	30	20	15
	814	1,116	1,917	1,364	1,289

The number of these non-director, highest paid employees whose remuneration fell within the following band is as follows:

	Year ended 31 December			Eight months ended 31 August	
	2006	**2007**	**2008**	**2008**	**2009**
				(Unaudited)	
Nil to RMB1,000,000	4	2	2	2	2

During the Relevant Periods, no remuneration was paid by the Group to the Directors or any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office. None of the persons, who were Directors, waived or agreed to waive any emoluments during the Relevant Periods.

12. TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the Relevant Periods.

The Company, which was incorporated in the Cayman Islands, is not subject to income tax.

Lessonstart and Lucknow, which were incorporated in the British Virgin Islands, are not subject to income tax.

Crown Central and CKSPG, which were incorporated in Hong Kong, are subject to profits tax at the rate of 17.5% on the estimated assessable profits arising in Hong Kong during the Relevant Periods. On 27 February 2008, the Financial Secretary of the Hong Kong SAR Government had announced the Annual Budget which proposes a cut in the Hong Kong profits tax rate from 17.5% to 16.5% with effect from the fiscal year 2008-09 and a one-off reduction of 75% of the tax payable for the 2007-08 assessment subject to a ceiling of HK$25,000.

In accordance with the relevant PRC income tax rules and regulations, the PRC subsidiaries, which are situated in a coastal economic open zone, are entitled to a preferential enterprise income tax ("EIT") rate of 27%. During the 5th Session of the 10th National People's Congress, which was concluded on 16 March 2007, the PRC Enterprise Income Tax Law (the "New Enterprise Income Tax Law") was approved and became effective on 1 January 2008. The New Enterprise Income Tax Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rate for domestic-invested and foreign-invested enterprises at 25%. Foreign investment enterprises of a production nature which have not fully utilised their five-year tax holiday will be allowed to continue to receive the benefits of tax exemption during the five-year transition period. The State Council of the PRC passed the implementation guidance (the "Implementation Guidance") on 6 December 2007, which sets out the details of how the existing preferential income tax rate will be adjusted to the standard rate of 25%. According to the Implementation Guidance, the PRC subsidiaries of the Group, which are eligible for a 100% or 50% relief from EIT of the PRC, will continue to enjoy the preferential income tax rate up to the end of the transition period, after which, the 25% standard rate applies. The PRC subsidiaries of the Group that enjoyed the preferential rate of 27% prior to 1 January 2008 are subject to the rate of 25% from 1 January 2008 onwards.

Further to the New Enterprise Income Tax Law, from 1 January 2008 onwards, non-resident enterprises without establishment or place of business in the PRC or which have an establishment or place of business but the relevant income is not effectively connected with the establishment or a place of business in the PRC will be subject to withholding tax at the rate of 20% on various types of passive income such as dividends derived from sources in the PRC. However, the Implementation Guidance of the New Tax Law reduces the withholding rate to 10%. Nevertheless, the Double Tax Arrangement between Mainland China and Hong Kong further reduces and has capped the withholding tax rate on dividend to 5%.

PCKSP, as a foreign investment enterprise of a production nature established in a coastal economic open zone, is entitled to a preferential income tax rate of 27% before 1 January 2008. PCKSP, as an advanced and new technology enterprise eligible for key support from the State qualified on 16 December 2008, shall be entitled to a reduced rate of 15% from 1 January 2008 to 31 December 2010. If it cannot be verified to be "advanced and new technology enterprises eligible for key support from the State", it will be subject to the rate of 25% from 1 January 2011 onwards.

Hualong Anti-Corrosion, as a Sino-foreign joint venture enterprise of a production nature established in a coastal economic open zone, is entitled to a preferential income tax rate of 24%; and its local income tax rate is 3%. In accordance with the relevant income tax laws and regulations of the PRC for manufacturing enterprises, Hualong Anti-Corrosion was exempted from corporate income tax for two years commencing from its first year with assessable profits after deducting the tax losses brought forward, and was entitled to a 50% tax exemption for the next three years.

The year ended 31 December 2001 was Hualong Anti-Corrosion's first profit-making year and was the first year of its tax holiday. Accordingly, Hualong Anti-Corrosion was subject to corporate income tax at a rate of 12% for the year ended 31 December 2005 and 27% for the two years ended 31 December 2006 and 2007. From 1 January 2008 onwards, Hualong Anti-Corrosion is subject to the income tax rate of 25%.

GPR Petrol-Fittings, GPR Casing Pipe, GPR Coating, and GPR Steel Pipe, which were established in 2006, are entitled to a preferential income tax rate of 27%. In accordance with the relevant income tax laws and regulations of the PRC for manufacturing enterprises, the above companies are exempted from corporate income tax for two years commencing from the year 2008, and are entitled to a 50% tax exemption for the next three years. After the implementation of the New Enterprise Income Tax Law from 1 January 2008, the above companies will continue to enjoy the preferential income tax rate up to the end of the transitional period, after which, the 25% standard rate applies.

PCKSP (Lianyungang), which was established in 2009, is subject to income tax rate of 25%.

Taxes on profits assessable in Mainland China have been calculated at the prevailing tax rates, based on existing legislation, interpretations and practices in respect thereof.

The major components of the income tax expense for the Relevant Periods are as follows:

	Year ended 31 December			Eight months ended 31 August	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Group:					
Current – Mainland China charged for the year/period	5,853	28,474	41,714	44,039	48,133
Deferred (Section 19)	10,249	(250)	790	(128)	(586)
Total tax charge for the year/period	16,102	28,224	42,504	43,911	47,547

A reconciliation of the tax expense applicable to profit before tax using the statutory tax rates to the tax expense at the Group's effective tax rates, and a reconciliation of the applicable rates to the effective tax rates, are as follows:

	Year ended 31 December 2006					
	Mainland China		**Hong Kong and others**		**Total**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Profit before tax	53,785		314		54,099	
Tax at the statutory tax rate	17,749	33.0	55	17.5	17,804	33.0
Tax effect of:						
Lower tax rates for specific districts	(2,559)	(4.8)	–	–	(3,227)	(6.0)
Income not subject to tax	(334)	(0.6)	(217)	(69.1)	(551)	(1.0)
Profit attributable to a jointly-controlled entity	(668)	(1.2)	–	–	–	–
Expenses not deductible for tax*	1,914	3.5	–	–	1,914	3.5
Tax losses not recognised	–	–	162	51.6	162	0.3
Income tax expense reported in the combined statements of comprehensive income at the Group's effective tax rate	16,102	29.9	–	–	16,102	29.8

	Year ended 31 December 2007					
	Mainland China		Hong Kong and others		Total	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Profit before tax	97,035		1,540		98,575	
Tax at the statutory tax rate	32,022	33.0	270	17.5	32,292	32.7
Tax effect of:						
Lower tax rates for specific districts	(5,822)	(6.0)	–	–	(5,822)	(5.9)
Expenses not deductible for tax*	2,024	2.1	–	–	2,024	2.1
Effect of utilisation of tax losses not recognised in prior years	–	–	(270)	(17.5)	(270)	(0.3)
Income tax expense reported in the combined statements of comprehensive income at the Group's effective tax rate	28,224	29.1	–	–	28,224	28.6

	Year ended 31 December 2008					
	Mainland China		Hong Kong and others		Total	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Profit before tax	304,895		13,073		317,968	
Tax at the statutory tax rate	76,224	25.0	2,157	16.5	78,381	24.7
Tax effect of:						
Tax holiday for PRC subsidiaries	(20,869)	(6.8)	–	–	(20,869)	(6.6)
Lower tax rate for high-tech enterprise	(19,942)	(6.5)	–	–	(19,942)	(6.3)
Effect of opening deferred tax of decrease in rates	681	0.2	–	–	681	0.2
Expenses not deductible for tax*	6,410	2.1	1,793	13.7	8,203	2.6
Income not subject to tax	–	–	(707)	(5.4)	(707)	(0.2)
Effect of utilisation of tax losses not recognised in prior years	–	–	(3,243)	(24.8)	(3,243)	(1.0)
Income tax expense reported in the combined statements of comprehensive income at the Group's effective tax rate	42,504	14.0	–	–	42,504	13.4

	Eight months ended 31 August 2008					
	Mainland China		Hong Kong and others		Total	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Profit before tax	247,278		10,962		258,240	
Tax at the statutory tax rate	61,805	25.0	1,918	17.5	63,723	24.7
Tax effect of:						
Tax holiday for PRC subsidiaries	(18,175)	(7.4)	–	–	(18,175)	(7.0)
Expenses not deductible for tax*	281	0.1	–	–	281	0.1
Effect of utilisation of tax losses not recognised in prior years	–	–	(1,918)	(17.5)	(1,918)	(0.7)
Income tax expense reported in the combined statements of comprehensive income at the Group's effective tax rate	43,911	17.7	–	–	43,911	17.1

	Eight months ended 31 August 2009					
	Mainland China		Hong Kong and others		Total	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Profit/(loss) before tax	351,402		(2,692)		348,710	
Tax at the statutory tax rate	87,851	25.0	(444)	16.5	87,407	25.1
Tax effect of:						
Tax holiday for PRC subsidiaries	(11,770)	(3.3)	–	–	(11,770)	(3.4)
Lower tax rate for high-tech enterprises	(29,185)	(8.3)	–	–	(29,185)	(8.4)
Expenses not deductible for tax*	1,011	0.3	–	–	1,011	0.3
Tax losses not recognised	–	–	444	(16.5)	444	0.1
Income not subject to tax	(360)	(0.1)	–	–	(360)	(0.1)
Income tax expense reported in the combined statements of comprehensive income at the Group's effective tax rate	47,547	13.6	–	–	47,547	13.6

* Expenses not deductible for tax mainly comprised entertainment and commission expenses which exceeded the deduction limit set by the PRC tax authorities.

13. DIVIDENDS

No dividend has been paid or declared by the Company since the date of its incorporation.

The dividends paid by the Company's subsidiary to its then shareholders during the Relevant Periods were as follows:

	Year ended 31 December			Eight months ended 31 August	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Dividends	–	–	–	–	49,715

14. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the preparation of the results of the Group for the Relevant Period on the combined basis as disclosed in Section 2 above.

15. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings *RMB'000*	Plant and machinery *RMB'000*	Office and other equipment *RMB'000*	Motor vehicles *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
31 December 2006						
At 31 December 2005 and 1 January 2006:						
Cost	85,614	389,378	8,492	12,569	12,892	508,945
Accumulated depreciation and impairment	(16,627)	(124,312)	(6,192)	(10,112)	–	(157,243)
Net carrying amount	68,987	265,066	2,300	2,457	12,892	351,702
At 1 January 2006, net of accumulated depreciation and impairment	68,987	265,066	2,300	2,457	12,892	351,702
Additions	–	12,581	79	–	9,490	22,150
Disposals	–	–	–	(175)	–	(175)
Depreciation provided during the year	(1,640)	(22,634)	(414)	(144)	–	(24,832)
Transfers	–	10,268	–	–	(10,268)	–
Exchange realignment	(50)	–	–	–	–	(50)
At 31 December 2006, net of accumulated depreciation and impairment	67,297	265,281	1,965	2,138	12,114	348,795
At 31 December 2006:						
Cost	85,489	412,227	8,571	12,394	12,114	530,795
Accumulated depreciation and impairment	(18,192)	(146,946)	(6,606)	(10,256)	–	(182,000)
Net carrying amount	67,297	265,281	1,965	2,138	12,114	348,795

	Land and buildings RMB'000	Plant and machinery RMB'000	Office and other equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2007						
At 31 December 2006 and 1 January 2007:						
Cost	85,489	412,227	8,571	12,394	12,114	530,795
Accumulated depreciation and impairment	(18,192)	(146,946)	(6,606)	(10,256)	–	(182,000)
Net carrying amount	67,297	265,281	1,965	2,138	12,114	348,795
At 1 January 2007, net of accumulated depreciation and impairment	67,297	265,281	1,965	2,138	12,114	348,795
Additions	9,111	10,423	2,743	1,595	107,557	131,429
Disposals	–	(945)	(302)	(401)	–	(1,648)
Attributable to acquisition of a subsidiary (Section 30)	715	5,386	669	(41)	–	6,729
Depreciation provided during the year	(1,749)	(24,468)	(792)	(110)	–	(27,119)
Transfers	104	115,939	622	–	(116,665)	–
Exchange realignment	(122)	–	(1)	–	–	(123)
At 31 December 2007, net of accumulated depreciation and impairment	75,356	371,616	4,904	3,181	3,006	458,063
At 31 December 2007:						
Cost	95,338	548,868	12,406	11,928	3,006	671,546
Accumulated depreciation and impairment	(19,982)	(177,252)	(7,502)	(8,747)	–	(213,483)
Net carrying amount	75,356	371,616	4,904	3,181	3,006	458,063

	Land and buildings RMB'000	Plant and machinery RMB'000	Office and other equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2008						
At 31 December 2007 and 1 January 2008:						
Cost	95,338	548,868	12,406	11,928	3,006	671,546
Accumulated depreciation and impairment	(19,982)	(177,252)	(7,502)	(8,747)	–	(213,483)
Net carrying amount	75,356	371,616	4,904	3,181	3,006	458,063
At 1 January 2008, net of accumulated depreciation and impairment	75,356	371,616	4,904	3,181	3,006	458,063
Additions	13,802	9,089	1,079	4,740	28,389	57,099
Depreciation provided during the year	(1,902)	(32,032)	(483)	(842)	–	(35,259)
Transfers	1,234	17,560	–	–	(18,794)	–
Exchange realignment	(252)	–	(14)	–	–	(266)
At 31 December 2008, net of accumulated depreciation and impairment	88,238	366,233	5,486	7,079	12,601	479,637
At 31 December 2008:						
Cost	110,122	575,517	13,471	16,668	12,601	728,379
Accumulated depreciation and impairment	(21,884)	(209,284)	(7,985)	(9,589)	–	(248,742)
Net carrying amount	88,238	366,233	5,486	7,079	12,601	479,637

	Land and buildings *RMB'000*	Plant and machinery *RMB'000*	Office and other equipment *RMB'000*	Motor vehicles *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
31 August 2009						
At 31 December 2008 and 1 January 2009:						
Cost	110,122	575,517	13,471	16,668	12,601	728,379
Accumulated depreciation and impairment	(21,884)	(209,284)	(7,985)	(9,589)	–	(248,742)
Net carrying amount	88,238	366,233	5,486	7,079	12,601	479,637
At 1 January 2009, net of accumulated depreciation and impairment	88,238	366,233	5,486	7,079	12,601	479,637
Additions	–	4,739	928	819	99,607	106,093
Disposals	–	(88,313)	(102)	(1,302)	–	(89,717)
Depreciation provided during the period	(1,535)	(20,913)	(697)	(424)	–	(23,569)
Transfers	–	528	–	–	(528)	–
Exchange realignment	(1)	–	–	(4)	–	(5)
At 31 August 2009, net of accumulated depreciation and impairment	86,702	262,274	5,615	6,168	111,680	472,439
At 31 August 2009:						
Cost	110,120	482,884	14,271	16,158	111,680	735,113
Accumulated depreciation and impairment	(23,418)	(220,610)	(8,656)	(9,990)	–	(262,674)
Net carrying amount	86,702	262,274	5,615	6,168	111,680	472,439

The Group's land and buildings are held under medium term leases and are situated in Mainland China and Hong Kong.

Included in the total costs of plant and machinery at 31 December 2006, 2007, 2008 and 31 August 2009 are certain assets acquired during the Relevant Periods for which government grants of RMB4,450,000, RMB5,950,000, RMB5,950,000 and RMB5,950,000 were received and deducted from their costs in arriving at their carrying amounts. The original costs of those assets before the deduction of the grants amounted to RMB115,683,000, RMB117,183,000, RMB117,183,000 and RMB117,183,000 as at 31 December 2006, 2007, 2008 and 31 August 2009, respectively.

Details of the Group's property, plant and machinery pledged to secure the Group's bank loans are set out in Section 25.

Certain of the Group's property, plant and machinery were pledged to a bank in connection with banking facilities granted to a related party, which had aggregate carrying amounts of approximately RMB423,000, nil, nil and nil as at 31 December 2006, 2007, 2008 and 31 August 2009, respectively.

Certificates of ownership in respect of certain buildings of the Group located in Guangzhou with net carrying amounts of approximately RMB723,000, RMB8,684,000, RMB21,061,000 and RMB20,328,000 as at 31 December 2006, 2007, 2008 and 31 August 2009, respectively, have not yet been issued by the relevant PRC authorities. The Directors are in the process of obtaining these certificates.

16. PREPAID LAND LEASE PAYMENTS

		31 December		31 August
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amount at beginning of the year/period	95,424	93,271	91,118	88,965
Amortisation provided during the year/period	(2,153)	(2,153)	(2,153)	(1,436)
Carrying amount at end of the year/period	93,271	91,118	88,965	87,529
Current portion included in prepayments, deposits and other receivables	(2,153)	(2,153)	(2,153)	(2,153)
Non-current portion	91,118	88,965	86,812	85,376

The Group's leasehold land is held under a medium term lease and is situated in Mainland China.

Details of the Group's leasehold land pledged to secure the Group's bank loans are set out in Section 25.

Certain of the Group's leasehold lands were pledged to a bank in connection with banking facilities granted to a related party, which had aggregate carrying amounts of approximately RMB3,334,000, RMB3,255,000, nil and nil as at 31 December 2006, 2007, 2008 and 31 August 2009, respectively.

17. GOODWILL

		31 December		31 August
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of the year/period	–	–	4,075	4,075
Acquisition of a subsidiary (Section 30)	–	4,075	–	–
At end of the year/period	–	4,075	4,075	4,075

Impairment testing of goodwill

Goodwill acquired through a business combination has been primarily allocated to the cash-generating unit (the "CGU") of the anti-corrosive business of Hualong Anti-Corrosion for impairment testing.

The recoverable amount of the CGU is determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by management. The discount rate applied to the cash flow projections is 18.6% as at 31 December 2007, 2008 and 31 August 2009. Cash flows beyond the five-year period are extrapolated using the estimated growth rate of 6% as at 31 December 2007, 2008 and 31 August 2009. The growth rate does not exceed the projected long-term average growth rate for the anti-corrosive business of Hualong Anti-Corrosion in Mainland China.

Key assumptions were used in the value in use calculation of the CGU for each of the balance sheet dates. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins – Management has determined the budgeted gross margins based on past performance and its expectations for market development.

Discount rates – The discount rates used are before tax and reflect specific risks relating to the CGU.

Purchase price inflation – Management has considered the possibility of increases in purchase price inflation at rates ranging from 6% to 8%.

No impairment loss provision for the carrying value of goodwill has been considered necessary by management as at 31 August 2009.

18. INTEREST IN A JOINTLY-CONTROLLED ENTITY

		31 December		**31 August**
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Share of net assets	10,054	–	–	–

The Group's trade payable balances due to the jointly-controlled entity are disclosed in Section 24.

Particulars of the jointly-controlled entity are as follows:

			Percentage of			
Name	**Registered capital**	**Place of registration**	**Ownership interest** %	**Voting power** %	**Profit sharing** %	**Principal activity**
Hualong Anti-Corrosion	RMB2,060,000	The PRC	50	50	50	Sub-contracting of steel pipe anti-corrosion services

Pursuant to the acquisition of an additional equity interest by the Group, the jointly-controlled entity became a subsidiary of the Group since July 2007.

The following table illustrates the summarised financial information of the Group's jointly-controlled entity:

Share of the jointly-controlled entity's assets and liabilities:

	31 December			31 August
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current assets	7,010	–	–	–
Non-current assets	3,700	–	–	–
Current liabilities	(656)	–	–	–
Net assets	10,054	–	–	–

Share of the jointly-controlled entity's results:

	Year ended 31 December			Eight months ended 31 August
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	8,103	852	–	–
Other income	32	5	–	–
	8,135	857	–	–
Total expenses	(4,732)	(857)	–	–
Tax	(928)	–	–	–
Profit after tax	2,475	–	–	–

19. DEFERRED TAX ASSETS

The following are the major deferred tax assets recognised and their movements:

	Tax losses	Impairment of trade and other receivables	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2006	11,261	440	11,701
Credited/(charged) to the combined income statements for the year (Section 12)	(11,261)	1,012	(10,249)
At 31 December 2006 and 1 January 2007	–	1,452	1,452
Attributable to acquisition of an additional equity interest in a jointly-controlled entity (Section 30)	–	154	154
Credited to the combined income statements for the year (Section 12)	–	250	250
At 31 December 2007 and 1 January 2008	–	1,856	1,856
Charged to the combined income statements for the period (Section 12)	–	(790)	(790)
At 31 December 2008 and 1 January 2009	–	1,066	1,066
Credited to the combined income statements for the period (Section 12)	–	586	586
At 31 August 2009	–	1,652	1,652

	31 December 2006	2007	2008	31 August 2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Net deferred tax assets recognised in the combined statements of financial position	1,452	1,856	1,066	1,652

As mentioned in Section 12, deferred taxes as at 31 December 2007 that are expected to be utilised in 2008 onwards have been provided at an enacted corporate tax rate of 25%.

As at 31 December 2006, 2007, 2008 and 31 August 2009, the Group has tax losses arising in Hong Kong of RMB42,841,000, RMB38,460,000, RMB18,809,000 and RMB1,764,000, respectively that are available indefinitely for offsetting against future taxable profits of the company in which the losses arose. Deferred tax assets have not been recognised in respect of these losses and impairment as they have arisen in Crown Central that has been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

As at 31 December 2006 and 2007, there was no significant unrecognised deferred tax liability for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries or a jointly-controlled entity, as the Group has no liability to additional tax should such amounts be remitted.

As at 31 December 2008 and 31 August 2009, there was unrecognised deferred tax liability of RMB13 million and RMB28 million respectively for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries. Deferred tax liability has not been recognised in respect of these unremitted earnings as the Directors have no intention to remit those earnings arising since 1 January 2008 in the foreseeable future.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

20. INVENTORIES

		31 December		31 August
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	67,484	141,223	196,711	184,702
Work in progress	5,938	70,684	67,510	44,920
Finished goods	151,396	216,631	446,473	271,273
	224,818	428,538	710,694	500,895

21. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally for a period of 30 to 60 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

At 31 December 2006, 2007, 2008 and 31 August 2009, an aged analysis of the trade receivables, based on the invoice date, is as follows:

		31 December		31 August
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 60 days	128,990	268,325	158,981	443,386
61 to 90 days	4,699	1,313	24,220	23,459
91 to 180 days	24,104	2,806	34,575	46,282
181 to 365 days	6,916	5,623	24,102	51,664
1 to 2 years	4,669	4,408	1,503	19,622
2 to 3 years	381	2,525	2,623	3,102
	169,759	285,000	246,004	587,515
Less: Impairment of trade receivables	(4,055)	(5,739)	(5,821)	(9,975)
	165,704	279,261	240,183	577,540

The carrying amounts of the trade receivables approximate to their fair values.

Movements in the provision for impairment of trade receivables as at 31 December 2006, 2007, 2008 and 31 August 2009 are as follows:

	31 December 2006	31 December 2007	31 December 2008	31 August 2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of the year/period	–	4,055	5,739	5,821
Attributable to acquisition of a subsidiary	–	613	–	–
Impairment losses recognised	4,055	1,071	413	4,154
Impairment losses reversed	–	–	(331)	–
At end of the year/period	4,055	5,739	5,821	9,975

The above provision for impairment of trade receivables are full provisions for individually impaired trade receivables. The individually impaired trade receivables relate to customers that were in default or delinquency in interest or principal payments. The Group does not hold any collateral or other credit enhancements over these balances.

At 31 December 2006, 2007, 2008 and 31 August 2009, the analysis of trade receivables that were past due but not impaired is as follows:

	Total	Neither past due nor impaired	Past due but not impaired 1 to 180 days	Past due but not impaired 181 to 365 days	Past due but not impaired Over 365 days
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2006	165,704	138,739	25,914	1,051	–
31 December 2007	279,261	272,516	5,403	1,342	–
31 December 2008	240,183	190,690	34,115	15,378	–
31 August 2009	577,540	518,288	31,948	21,713	5,591

The Group's neither past due nor impaired trade receivables mainly represent sales made to recognised and creditworthy customers for whom there was no recent history of default. These customers who trade on credit terms are subject to credit verification procedures.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	31 December			31 August
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments	146,374	312,629	130,025	66,962
Deposits and other receivables	15,314	14,859	11,643	92,294
Tax recoverable	9,772	4,522	25,502	14,559
Current portion of land lease payments	2,153	2,153	2,153	2,153
	173,613	334,163	169,323	175,968
Less: Impairment of deposits and other receivables	(1,755)	(1,684)	(1,098)	(543)
	171,858	332,479	168,225	175,425

Movements in the provision for impairment of deposits and other receivables as at 31 December 2006, 2007, 2008 and 31 August 2009 are as follows:

	31 December			31 August
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of the year/period	1,740	1,755	1,684	1,098
Impairment losses recognised	15	–	–	–
Impairment losses reversed	–	(71)	(586)	(555)
At end of the year/period	1,755	1,684	1,098	543

At 31 December 2006, 2007, 2008 and 31 August 2009, the net balance of deposits and other receivables was neither past due nor impaired. Financial assets included in the above balance relate to receivables for which there was no recent history of default.

23. CASH AND BANK BALANCES AND PLEDGED BANK DEPOSITS

		31 December			31 August
		2006	**2007**	**2008**	**2009**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cash and bank balances		89,434	113,694	41,765	104,728
Pledged bank deposits	*(a)*	55,276	52,140	221,309	164,370
		144,710	165,834	263,074	269,098
Less:					
Pledged deposits with original maturity of over three months when acquired		(29,490)	(16,043)	(102,838)	(51,843)
Cash and cash equivalents	*(b)*	115,220	149,791	160,236	217,255

Notes:

(a) The Group's pledged bank deposits were pledged as security for issuing bank acceptance notes to the suppliers and letters of guarantee to the customers.

(b) At 31 December 2006, 2007, 2008 and 31 August 2009, the Group's cash and cash equivalents denominated in RMB amounted to RMB101,252,000, RMB87,282,000, RMB154,890,000, and RMB198,402,000, respectively. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The carrying amount of the cash and cash equivalents approximates to its fair value. The bank balances and time deposits are deposited with creditworthy banks in Mainland China with no recent history of default.

24. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at 31 December 2006, 2007, 2008 and 31 August 2009, based on the invoice date, is as follows:

	31 December			31 August
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 90 days	52,214	40,294	36,762	42,585
91 to 180 days	3,998	9,679	4,978	16,185
181 to 365 days	18,854	412	8,994	9,208
1 to 2 years	4,110	1,326	8,183	7,169
2 to 3 years	608	1,734	1,821	2,182
	79,784	53,445	60,738	77,329
Bills payable	30,132	30,000	137,588	191,311
	109,916	83,445	198,326	268,640

The trade payables are non-interest-bearing and are normally settled on 60-day terms. The carrying amounts of the trade payables and bills payable approximate to their fair values.

All the bills payable bear maturity dates within 180 days.

Included in the Group's trade payables are amounts due to the Group's jointly-controlled entity of RMB12,663,000 at 31 December 2006, which were repayable on similar credit terms to those offered by the major suppliers of the Group.

25. INTEREST-BEARING BANK LOANS AND GOVERNMENT LOANS

	Effective interest rate	Maturity	31 December 2006	2007	2008	31 August 2009
	%		RMB'000	RMB'000	RMB'000	RMB'000
Current						
Bank loans – secured	0.79~10.67	2007~2010	380,970	810,350	637,706	620,655
Government loans	5.580	On demand	6,420	3,420	–	–
Other borrowings	5.850	On demand	3,600	–	–	–
Current portion of long term bank loans – secured	5.760~7.524	2007~2010	13,900	270,749	–	17,000
			404,890	1,084,519	637,706	637,655
Non-current						
Bank loans – secured	3.680~9.828	2008~2011	285,581	–	111,000	90,000
			690,471	1,084,519	748,706	727,655

	31 December 2006	2007	2008	31 August 2009
	RMB'000	RMB'000	RMB'000	RMB'000
Analysed into bank loans repayable:				
Within one year or on demand	394,870	1,081,099	637,706	637,655
In the second year	285,581	–	21,000	–
In the third to fifth years, inclusive	–	–	90,000	90,000
	680,451	1,081,099	748,706	727,655
Analysed into government loans repayable:				
Within one year or on demand	6,420	3,420	–	–
Analysed into other borrowings:				
Within one year or on demand	3,600	–	–	–
	690,471	1,084,519	748,706	727,655

The Group's bank loans are secured by:

(a) a charge over certain property, plant and equipment of the Group with net carrying amounts of approximately RMB331,019,000, RMB308,609,000, RMB39,363,000 and RMB46,939,000 as at 31 December 2006, 2007, 2008 and 31 August 2009, respectively; and

(b) a charge over certain leasehold lands of the Group with net carrying amounts of approximately RMB89,937,000, RMB87,863,000, RMB88,965,000 and RMB87,529,000 as at 31 December 2006, 2007, 2008 and 31 August 2009, respectively.

In addition, certain interest-bearing bank loans of the Group of RMB284,740,000, RMB327,750,000, RMB400,100,000 and RMB449,200,000 were guaranteed by related parties as at 31 December 2006, 2007, 2008 and 31 August 2009, respectively (Section 34(c)). The Directors confirmed that guarantees provided by related parties for the bank loans as set out in the above will be released and/or replaced by corporate guarantees of the Company, where relevant, before listing of the Company's shares on the Stock Exchange.

The Group has the following undrawn banking facilities:

		31 December		31 August
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Floating rate				
– expiring within one year	237,622	402,091	756,650	1,235,869

Except for the secured bank loans of RMB117,130,500, RMB109,569,000, RMB34,856,000 and RMB104,755,000 as at 31 December 2006, 2007, 2008 and 31 August 2009, respectively, which are denominated in United States dollars, the remaining secured bank loans are denominated in RMB.

The carrying amounts of the Group's interest-bearing bank loans and government loans approximate to their fair values.

26. OTHER PAYABLES AND ACCRUALS

		31 December		31 August
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deposits received and receipts in advance	52,333	185,131	332,732	183,454
Other payables	4,204	28,859	12,813	25,197
Payroll payables	3,822	5,602	6,146	12,656
Accruals and other liabilities	3,132	7,064	25,480	26,076
Consideration remained payable for acquisition of a subsidiary	–	4,000	–	–
Other tax payables	1,822	3,218	8,320	5,340
	65,313	233,874	385,491	252,723

Other payables are non-interest bearing and have an average term of two to three months.

27. GOVERNMENT GRANTS

As at 31 December 2006, 2007 , 2008 and 31 August 2009, government grants represented funds received in advance from the local finance bureau as encouragement of PCKSP's technological innovation and improvements for which related expenditure has not yet been undertaken.

28. ISSUED CAPITAL

The Company was incorporated on 9 January 2008 with an authorised share capital of HK$100,000 divided into 1,000,000 shares of HK$0.10 each. On 9 January 2008, one share was allotted and issued, at nil paid, to Codan Trust Company (Cayman) Limited, which was transferred to Bournam Profits Limited ("Bournam") on the same date. 999,999 additional shares were allotted and issued, at nil paid, to Bournam on the same date.

Save for aforesaid, the Company has not carried on any other business since the date of its incorporation and up to 31 August 2009. As at 31 December 2008 and 31 August 2009, the total assets and liabilities of the Company were nil, respectively.

29. RESERVES

The amounts of the Group's reserves and the movements therein for the Relevant Periods and the eight months ended 31 August 2008 are presented in the combined statements of changes in equity of the Group.

30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENTS

Acquisition of a subsidiary

On 30 May 2007, PCKSP entered into an equity transfer agreement to acquire an additional 50% equity interest in Hualong Anti-Corrosion from an independent third party, at a consideration of RMB12,250,000. Upon completion of the acquisition, Hualong Anti-Corrosion became a subsidiary of the Group, and the post-acquisition results, assets and liabilities of Hualong Anti-Corrosion were included in the Group's financial statements.

The fair values of the identifiable assets and liabilities of Hualong Anti-Corrosion as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	Sections	**Fair value recognised on acquisition** *RMB'000*	**Carrying value** *RMB'000*
Property, plant and equipment	*15*	6,729	6,729
Deferred tax assets	*19*	154	154
Inventories		1,397	1,397
Trade receivables		6,456	6,456
Prepayments and other receivables		1,572	1,572
Cash and bank balances		5,502	5,502
Trade payables		(3,736)	(3,736)
Other payables and accruals		(1,576)	(1,576)
Tax payable		(148)	(148)
Net assets		16,350	16,350
Interest in a jointly-controlled entity		(8,175)	
Goodwill arising on acquisition	*17*	4,075	
Satisfied by:			
Cash		12,250	

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of an additional equity interest in a jointly-controlled entity is as follows:

	Year ended 31 December 2007
	RMB'000
Cash consideration	(12,250)
Cash and bank balances acquired	5,502
Consideration remained payable at 31 December 2007	4,000
Net outflow of cash and cash equivalents in respect of the acquisition of an additional equity interest in a jointly-controlled entity	(2,748)

	Year ended 31 December 2008
	RMB'000
Consideration remained payable at 31 December 2007 and 1 January 2008	(4,000)
Consideration remained payable at 31 December 2008	–
Net outflow of cash and cash equivalents in respect of the acquisition of an additional equity interest in a jointly-controlled entity	(4,000)

Since its acquisition, Hualong Anti-Corrosion contributed RMB5,569,000 to the Group's turnover and RMB479,000 to the combined profit for the year ended 31 December 2007.

Had the acquisition taken place at the beginning of 2007, the revenue from continuing operations of the Group and the profit of the Group for the year would have been RMB1,459,731,000 and RMB70,351,000, respectively.

The goodwill arising from the acquisition represented the residual value of the consideration over the fair values of the identifiable assets and liabilities of Hualong Anti-Corrosion. The goodwill of RMB4,075,000 has been recognised as a non-current asset on the Group's combined statements of financial position (Section 17) as at 31 December 2007, 2008 and 31 August 2009.

31. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its factory and office premises under operating lease arrangements. Leases for properties are negotiated for terms of one to three years with an option for renewal after that date, at which times all terms will be renegotiated.

As at 31 December 2006, 2007, 2008 and 31 August 2009, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	31 December			31 August
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	2,607	1,389	4,547	1,805
In the second to fifth years, inclusive	1,268	–	3,347	6,373
	3,875	1,389	7,894	8,178

32. COMMITMENTS

In addition to the operating lease commitments detailed in Section 31 above, the Group had the following capital commitments:

	31 December			31 August
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted, but not provided for:				
Plant and machinery	47,218	25,867	72,643	441,390
Capital contributions payable to subsidiaries	73,441	65,135	33,075	–
	120,659	91,002	105,718	441,390

33. CONTINGENT LIABILITIES

As at 31 December 2006, 2007, 2008 and 31 August 2009, contingent liabilities not provided for in the financial statements were as follows:

	31 December			31 August
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Guarantees given to banks in connection with facilities granted to and utilised by:				
Related parties	29,680	25,800	–	–

34. RELATED PARTY TRANSACTIONS

During the Relevant Periods, the Directors are of the view that the following companies are related parties of the Group:

Name of party	Relationship
Hualong Anti-Corrosion	Hualong Anti-Corrosion was a jointly-controlled entity of the Group from October 1999 to June 2007.
Guangzhou Fulingda Elevator Co., Ltd. ("GZFLD") 廣州富菱達電梯有限公司	GZFLD is a party of which Mr. Chen Chang is the ultimate shareholder.
Guangzhou City Pearl River Machine Tool Works Co., Ltd. ("GZMT") 廣州市珠江機床廠有限公司	GZMT is a party of which Mr. Chen Chang is the ultimate shareholder.
Guangzhou City Jiayin Trading Co., Ltd. ("Jiayin Trading") 廣州市嘉銀貿易有限公司 (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))	Jiayin Trading is a party of which the spouse of Mr. Chen Chang, the ultimate shareholder of the Group, is the shareholder.
Panyu Zhongnan Resources Supplies Co., Ltd. ("Zhongnan Resources") 廣州市番禺中南物資有限公司	Zhongnan Resources is a party of which the son of Mr. Chen Chang, the ultimate shareholder of the Group, is the shareholder.
Pearl River Enterprise Group Ltd. ("Pearl River Enterprise") 廣州市番禺珠江實業集團有限公司	Pearl River Enterprise is a party of which Mr. Chen Chang is the ultimate shareholder.

In addition to the related party information disclosed elsewhere in the Financial Information, the Group entered into the following material related party transactions:

(a) Recurring transactions

Name of party	Nature of transaction	Year ended 31 December 2006	2007	2008	Eight months ended 31 August 2008	2009
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Hualong Anti-Corrosion	Purchases of anti-corrosion services	12,236	22,267	–	–	–
	Sales of electricity	3,284	6,184	–	–	–
GZFLD	Purchases of spare parts	4,530	3,997	4,875	4,583	2,185
GZMT	Purchases of spare parts	878	9,120	10,180	4,789	7,536

These purchases were made at prices based on the mutual agreements between the parties. The above related party transactions will continue after the listing of the Company's shares on the Stock Exchange.

(b) Non-recurring transactions

Name of party	Nature of transaction	Year ended 31 December 2006 RMB'000	2007 RMB'000	2008 RMB'000	Eight months ended 31 August 2008 RMB'000 (Unaudited)	2009 RMB'000
Jiayin Trading	Purchases of raw materials	5,441	5,276	–	–	–
GZMT	Sales of steel pipes	746	454	–	–	–
GZFLD	Sales of steel pipes	443	241	84	84	–

These purchases and sales were made at prices based on the mutual agreements between the parties. The above related party transactions will not continue after the listing of the Company's shares on the Stock Exchange.

(c) Guarantees provided by related parties of the Group

The Group's related parties and the ultimate shareholder have provided guarantees, in connection with bank loans obtained by the Group, as follows:

	31 December 2006 RMB'000	2007 RMB'000	2008 RMB'000	31 August 2009 RMB'000
GZFLD and Zhongnan Resources	18,450	11,180	–	–
GZFLD	58,270	48,500	59,300	132,800
GZMT	88,400	49,270	113,700	–
Pearl River Enterprise	10,020	3,420	–	–
GZFLD and Mr. Chen Chang	–	65,500	105,700	60,400
Mr. Chen Chang	92,000	149,880	121,400	256,000
Pearl River Enterprise, GZFLD and Mr. Chen Chang	17,600	–	–	–
	284,740	327,750	400,100	449,200

(d) Guarantees given in connection with bank loans to related parties

	31 December			31 August
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Jiayin Trading	4,650	3,800	–	–
GZMT	25,030	22,000	–	–
Bournam	–	–	52,920	–
	29,680	25,800	52,920	–

On 21 April 2008, Bournam as borrower has taken out a term loan (the "Bournam Loan") with Industrial and Commercial Bank of China (Asia) Limited ("ICBC (Asia)") in the aggregate sum of HK$60,000,000 primarily for the purpose of the Reorganisation and/or the listing. Certain securities have been given by certain members of the Group in favour of ICBC (Asia). The Bournam Loan was repaid on 13 May 2009 and the collaterals given in connection with the Bournam Loan was released subsequently in August 2009.

The Group had outstanding payables to the ultimate shareholder as follows:

	31 December			31 August
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amount due to Mr. Chen Chang	45,171	26,338	15,282	25,698

Except for an amount of RMB26,000,000 as at 31 December 2006 and 2007 which will not be repayable within twelve months from the date of the statement of financial position, the amount due to the ultimate shareholder was non-trade in nature, unsecured, interest-free and with terms of repayment of on the ultimate shareholder's demand. The carrying amount of the balance approximated to its fair value.

The Directors represent that the above balances due to the ultimate shareholder will be settled prior to the listing of the Company's shares on the Stock Exchange and all of the above guarantees provided to/from related parties will be released and/or replaced by corporate guarantees of the Company, where relevant, before the listing of the Company's shares on the Stock Exchange.

Other transactions with related parties:

(e) Hualong Anti-Corrosion was a jointly-controlled entity of the Group during the period from October 1999 to June 2007. Pursuant to the acquisition of an additional entity interest by the Group, Hualong Anti-Corrosion became a subsidiary of the Group since July 2007.

(f) GZFLD acquired a 16% equity interest in PCKSP from Lessonstart for a consideration of RMB44,480,000 in April 2007, which was subsequently repurchased by Lessonstart at the same consideration in October 2007, for the reasons as disclosed in the paragraph headed "Our corporate history" in the section of "Corporate history, development and reorganisation" to the Prospectus.

Compensation of key management personnel of the Group:

	Year ended 31 December			Eight months ended 31 August	
	2006	2007	2008	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Salaries, allowances and benefits in kind	1,460	2,243	3,783	2,608	2,538
Retirement benefit scheme contributions	103	85	85	56	53
Total compensation paid to key management personnel	1,563	2,328	3,868	2,664	2,591

Further details of Directors' emoluments are included in Section 10 to the Financial Information.

35. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at each of the dates of the statement of financial position are as follows:

As at 31 December 2006

Financial assets

	Loans and receivables
	RMB'000
Trade receivables (Section 21)	165,704
Financial assets included in prepayments, deposits and other receivables (Section 22)	15,314
Pledged deposits (Section 23)	55,276
Cash and bank balances (Section 23)	89,434
	325,728

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade and bills payables (Section 24)	109,916
Financial liabilities included in other payables and accruals (Section 26)	4,204
Interest-bearing bank loans and government loans (Section 25)	690,471
Due to the ultimate shareholder (Section 34)	45,171
	849,762

As at 31 December 2007

Financial assets

	Loans and receivables RMB'000
Trade receivables (Section 21)	279,261
Financial assets included in prepayments, deposits and other receivables (Section 22)	14,859
Pledged deposits (Section 23)	52,140
Cash and bank balances (Section 23)	113,694
	459,954

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade and bills payables (Section 24)	83,445
Financial liabilities included in other payables and accruals (Section 26)	32,859
Interest-bearing bank loans and government loans (Section 25)	1,084,519
Due to the ultimate shareholder (Section 34)	26,338
	1,227,161

As at 31 December 2008

Financial assets

	Loans and receivables
	RMB'000
Trade receivables (Section 21)	240,183
Financial assets included in prepayments, deposits and other receivables (Section 22)	11,643
Pledged deposits (Section 23)	221,309
Cash and bank balances (Section 23)	41,765
	514,900

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade and bills payables (Section 24)	198,326
Financial liabilities included in other payables and accruals (Section 26)	12,813
Interest-bearing bank loans and government loans (Section 25)	748,706
Due to the ultimate shareholder (Section 34)	15,282
	975,127

As at 31 August 2009

Financial assets

	Loans and receivables
	RMB'000
Trade receivables (Section 21)	577,540
Financial assets included in prepayments, deposits and other receivables (Section 22)	92,294
Pledged deposits (Section 23)	164,370
Cash and bank balances (Section 23)	104,728
	938,932

Financial liabilities

	Financial liabilities at amortised cost *RMB'000*
Trade and bills payables (Section 24)	268,640
Financial liabilities included in other payables and accruals (Section 26)	25,197
Interest-bearing bank loans and government loans (Section 25)	727,655
Due to the ultimate shareholder (Section 34)	25,698
	1,047,190

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans and government loans and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are business risk, interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group does not have any written risk management policies and guidelines. Generally, the Group introduces prudent strategies on its risk management. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below:

(a) Business risk

The Group conducts its operations in Mainland China, and accordingly, it is subject to special considerations and significant risks. These include risks associated with, among others, the political, economic and legal environment, the influence of national authorities over pricing and the financing regulations.

(b) Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank loans and government loans with a floating interest rate.

The Group regularly reviews and monitors the mix of fixed and floating interest rate borrowings in order to manage its interest rate risks. Interest-bearing loans, cash and short term deposits are stated at amortised cost and not revalued on a periodic basis. Floating rate interest income and expenses are credited/charged to the statement of comprehensive income as earned/incurred.

Management does not anticipate any significant impact resulting from the changes in interest rates because most of the Group's loans as at each of the dates of the statements of financial position were at fixed interest rates which have no significant impact on cash flow interest rate risk.

If there would be a general increase/decrease in the interest rate of bank loans and government loans with floating interest rates by one percentage point, with all other variables held constant, the combined operating results would have been decreased/increased by approximately RMB5.8 million, RMB6.4 million, RMB6.5 million and RMB6.2 million for the years ended 31 December 2006, 2007, 2008 and the eight months ended 31 August 2009, respectively, and there is no impact on other components of the combined equity, except for retained earnings, of the Group. The estimated one percentage point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual date of the statement of financial position. The sensitivity analysis was performed on the same basis for the entire Relevant Periods.

(c) Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales by operating units in currencies other than the units' functional currency. For the years ended 31 December 2006, 2007, 2008 and the eight months ended 31 August 2009, approximately 45%, 55%, 52% and 63% of the Group's sales are denominated in currencies other than the functional currency of the operating units making the sale.

The following table demonstrates the sensitivity as at each of the dates of the statement of financial position to a reasonably possible change in the United States ("US") dollar exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

Effect on profit before tax

		Year ended 31 December			Eight months ended 31 August
		2006	2007	2008	2009
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Increase in the US dollar rate	+3%	15,003	24,807	42,654	36,225
Decrease in the US dollar rate	-3%	(15,003)	(24,807)	(42,654)	(36,225)

(d) Credit risk

The Group has no concentration of credit risk. The Group's cash and cash equivalents are mainly deposits with state-owned banks in Mainland China.

The carrying amounts of trade and other receivables, cash and cash equivalents included in the combined statements of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets. The Group has no other financial assets which carry significant exposure to credit risk.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. There are no significant concentrations of credit risk within the Group as the Group's trade receivables are widely dispersed among different customers.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in Section 21.

(e) Liquidity risk

The Group's objective is to ensure continuity of sufficient funding and flexibility by utilising a variety of bank loans and government loans with debt maturities spreading over a range of periods, thereby ensuring that the Group's outstanding borrowing obligation is not exposed to excessive repayment risk in any one year. Due to the capital intensive nature of the Group's businesses, the Group ensures that it maintains sufficient cash and credit lines to meet its liquidity requirements.

The liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflows from operations to meet its debt obligations as they fall due, and its ability to obtain external financing to meet its committed future capital expenditure. With regards to its future capital commitments and other financing requirements, the Group has already obtained banking facilities with several PRC banks of up to an amount of RMB1,977 million as at 31 August 2009, of which an amount of approximately RMB741 million has been utilised.

The Directors have carried out a detailed review of the cash flow forecast of the Group for the next two years from this report date. Based on this forecast, the Directors have determined that adequate liquidity exists to finance the working capital and capital expenditure requirements of the Group during that period. In preparing the cash flow forecast, the Directors have considered historical cash requirements of the Group as well as other key factors, including the availability of the above-mentioned loans financing which may impact the operations of the Group prior to the end of the next two years after the date of this report.

The Directors are of the opinion that the assumptions and sensitivities which are included in the cash flow forecast are reasonable. However, as with all assumptions in regard to future events, these are subject to inherent limitations and uncertainties and some or all of these assumptions may not be realised.

The maturity profile of the Group's financial liabilities as at each of the dates of the statement of financial position based on the contractual undiscounted payments, was as follows:

	31 December 2006			
	On demand	**Less than 1 year**	**Over 1 year**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables	–	109,916	–	109,916
Other payables	–	4,204	–	4,204
Interest-bearing bank loans and government loans	6,420	398,470	285,581	690,471
Due to the ultimate shareholder	19,171	–	26,000	45,171
Financial guarantee granted to related parties	–	29,680	–	–
	25,591	542,270	311,581	849,762

	31 December 2007			
	On demand	**Less than 1 year**	**Over 1 year**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables	–	83,445	–	83,445
Other payables	–	32,859	–	32,859
Interest-bearing bank loans and government loans	3,420	1,081,099	–	1,084,519
Due to the ultimate shareholder	338	–	26,000	26,338
Financial guarantee granted to related parties	–	25,800	–	–
	3,758	1,223,203	26,000	1,227,161

	31 December 2008			
	On demand	Less than 1 year	Over 1 year	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables	–	198,326	–	198,326
Other payables	–	12,813	–	12,813
Interest-bearing bank loans and government loans	–	637,706	111,000	748,706
Due to the ultimate shareholder	15,282	–	–	15,282
Financial guarantee granted to related parties	–	52,920	–	–
	15,282	901,765	111,000	975,127

	31 August 2009			
	On demand	Less than 1 year	Over 1 year	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables	–	268,640	–	268,640
Other payables	–	26,371	–	26,371
Interest-bearing bank loans and government loans	–	637,655	90,000	727,655
Due to the ultimate shareholder	25,698	–	–	25,698
	25,698	932,666	90,000	1,048,364

(f) Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group monitors capital using a gearing ratio, which is total debts, which are defined to include payables incurred not in the ordinary course of business, divided by total assets. Total debt includes interest-bearing bank loans and government loans, an amount due to the ultimate shareholder and government grants. The gearing ratios as at each of the statement of financial position dates were as follows:

	31 December			31 August
	2006	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing bank loans and government loans (Section 25)	690,471	1,084,519	748,706	727,655
Due to the ultimate shareholder (Section 34)	45,171	26,338	15,282	25,698
Government grants	1,850	2,168	3,681	4,211
Total debts	737,492	1,113,025	767,669	757,564
Total assets	1,165,621	1,773,774	1,978,775	2,158,054
Gearing ratio	63.3%	62.7%	38.8%	35.1%

(g) Fair value

Fair value estimates are made at a specific point in time and based on relevant market information and information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The carrying amounts of the Group's long term borrowings approximate to their fair values based on prevailing borrowing rates available for loans with similar terms and maturities at each of the statement of financial position dates.

The carrying amounts of all other financial instruments approximate to their fair values due to the short term to maturity.

37. EVENTS AFTER THE REPORTING PERIOD

In addition to the subsequent events detailed elsewhere in this report, the Group had the following significant subsequent events:

(a) On 23 January 2010, the companies now comprising the Group completed the Reorganisation in preparation for the listing of the Company's shares on the Stock Exchange. Further details of the Reorganisation are set out in the paragraph headed "Corporate reorganisation" in "Appendix VI – Statutory and general information" to the Prospectus.

(b) Pursuant to the board resolution dated 2 November 2009, the registered capital of PCKSP (Lianyungang) was increased to RMB700 million, which was subsequently paid-up and verified by Lianyungang Tianzhou United Certified Public Accountants Co., Ltd. (連雲港天洲聯合會計師事務所), certified public accountants registered in the PRC, on 4 November 2009.

38. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 August 2009.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

The Information set forth in this appendix does not form part of the accountants' report by the reporting accountants Ernst & Young, Certified Public Accountants, Hong Kong, as set forth in Appendix I to this prospectus, and is included herein for illustrative purpose only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial information" in this prospectus and the "Accountants' report" as set forth in Appendix I to this prospectus.

The unaudited pro forma financial information prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only, and is set out herein to provide prospective investors with further financial information about (i) how the proposed listing might have affected the combined net tangible assets of the Group after the completion of the Global Offering; and (ii) how the proposed listing might have affected the unaudited pro forma estimated earnings per share of the Group for the year ended 31 December 2009 as if the Global Offering had taken place on 1 January 2009.

The accompanying unaudited pro forma financial information of the Group is based on currently available information along with a number of assumptions, estimates and uncertainties. As a result of these assumptions, estimates and uncertainties, the accompanying unaudited pro forma financial information of the Group does not purport to predict the Group's future financial position or results of operations.

Although reasonable care has been exercised in preparing the said information, prospective investors who read the information should bear in mind that these figures are inherently subject to adjustments and may not give a complete picture of the Group's financial results and position of the financial periods concerned.

A UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

The following is an illustrative statement of unaudited pro forma adjusted combined net tangible assets of the Group, which has been prepared for the purpose of illustrating the effect of the Global Offering as if it had taken place on 31 August 2009. It is based on the audited combined net tangible assets attributable to equity holders of the parent as at 31 August 2009 as shown in the accountants' report of the Group, the text of which is set out in Appendix I to this Prospectus, and is adjusted as follows:

	Audited combined net tangible assets attributable to equity holders of the parent as at 31 August 2009	**Estimated net proceeds receivable by the Company from the Global Offering**	**Unaudited pro forma adjusted combined net tangible assets**	**Unaudited pro forma adjusted combined net tangible assets per Share**	**Unaudited pro forma adjusted combined net tangible assets per Share**
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*(HK$ equivalent)*
	(Note 1)	*(Note 2)*		*(Note 3)*	*(Note 4)*
Based on the maximum indicative Offer Price of HK$6.15 per Share	847,991	1,293,026	2,141,017	2.14	2.44
Based on the minimum indicative Offer Price of HK$4.50 per Share	847,991	941,855	1,789,846	1.79	2.04

Notes:

1. The combined net tangible assets attributable to equity holders of the parent as at 31 August 2009 is calculated as follows:

	RMB'000
Audited combined net assets of the Group as set out Appendix I	852,066
Less: Goodwill	(4,075)
Combined net tangible assets attributable to equity holders of the parent	847,991

2. The estimated net proceeds from the Global Offering are based on the Offer Shares and the Offer Price of HK$4.50 or HK$6.15 per Share, being the low or high end of the stated offer price range, after deduction of the underwriting fees and related expenses incurred by the Company since 1 September 2009 and takes no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandates for the allotment and issue or repurchase of our Shares referred to under "Resolutions in writing of the sole Shareholder passed on 23 January 2010" in Appendix VI to this prospectus. The estimated net proceeds from the Global Offering are converted from Hong Kong dollars into Renminbi at an exchange rate of RMB1.00 to HK$1.14.

3. The unaudited pro forma adjusted combined net tangible assets per Share is arrived at after making the adjustments set forth under the paragraph headed "Unaudited pro forma adjusted combined net tangible assets" in Appendix II in this prospectus and on the basis of a total of 1,000,000,000 Shares in issue immediately following the completion of the Global Offering without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandates for the allotment and issue or repurchase of our Shares referred to under "Resolutions in writing of the sole Shareholder passed on 23 January 2010" in Appendix VI to this prospectus.

4. The unaudited pro forma adjusted combined net tangible assets per Share is converted into Hong Kong dollars at an exchange rate of RMB1.00 to HK$1.14. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate or at any other rates or at all.

5. Details of the valuations of our Group's properties as at 30 November 2009 are set out in "Appendix IV – Property Valuation" in this Prospectus. The revaluation surplus or deficit of properties included in buildings held for own use, assets under construction, land use rights and properties under development will not be incorporated in our Group's financial statements for the year ended 31 December 2009. If the revaluation surplus was recorded in our Group's financial statements for the year ended 31 December 2009, the annual depreciation charges would increase by approximately RMB2,642,000.

B UNAUDITED PRO FORMA ESTIMATED EARNINGS PER SHARE

The following unaudited pro forma estimated earnings per Share for the financial year ended 31 December 2009 has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Global Offering as if it had taken place on 1 January 2009. It has been prepared for illustrative purposes only and, because of its nature, it may not give a true picture of the financial results of the Group following the Global Offering.

	For the year ended 31 December 2009
Estimated combined net profit attributable to equity holders of our Company for the financial year ended 31 December 2009 *(Note 1)*	not less than RMB400.0 million (equivalent to approximately HK$456.0 million)
Unaudited pro forma estimated earnings per Share *(Note 2)*	not less than RMB0.400 (equivalent to approximately HK$0.456)

Notes:

1. The unaudited estimated combined net profit attributable to equity holders of the parent for the year ended 31 December 2009 is extracted from the profit estimate as set out in the subsection headed "Profit estimate for the financial year ended 31 December 2009" under the section headed "Financial Information" in the Prospectus. The bases on which the above profit estimate for the year ended 31 December 2009 has been prepared are summarised in Appendix III to the Prospectus.

2. The calculation of the unaudited estimated earnings per Share on a pro forma basis is based on the estimated combined net profit attributable to equity holders of our Company for the financial year ended 31 December 2009 assuming that our Company had been listed on the Main Board since 1 January 2009 and a total of 1,000,000,000 Shares (including the Shares in issue as at 1 January 2009, Shares under the Capitalisation Issue and the Global Offering) had been in issue during that financial year, but does not take into account any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme or which may be allotted and issued or repurchased by our Company pursuant to the general mandates for the allotment and issue or repurchase of the Shares referred to under the paragraph headed "Resolutions in writing of the sole Shareholder passed on 23 January 2010" in Appendix VI to this prospectus.

3. The unaudited estimated combined net profit attributable to equity holders of the parent and the unaudited pro forma estimated earnings per Share are converted into Hong Kong dollars at an exchange rate of RMB1.00 to HK$1.14.

C LETTER FROM THE INDEPENDENT REPORTING ACCOUNTANTS ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a letter, received from the independent reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, prepared for inclusion in this prospectus, in respect of the unaudited pro forma financial information.

ERNST & YOUNG

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 report on the unaudited pro forma adjusted combined net tangible assets and unaudited pro forma estimate earnings per share (the "Unaudited Pro Forma Financial Information") of Chu Kong Petrolem and Natural Gas Steel Pipe Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which have been prepared by the directors of the Company (the "Directors"), for illustrative purpose only, to provide information about how the share offer of 300,000,000 shares of HK$0.10 each in the capital of the Company might have affected the financial information presented, for inclusion in Appendix II to the prospectus of the Company dated 28 January 2010 (the "Prospectus"). The basis of preparation of the unaudited Pro Forma Financial Information is set out in Appendix II to the Prospectus.

Respective Responsibilities of the Directors and Reporting Accountants

It is the responsibility solely of the Directors to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments, and discussing the Unaudited Pro Forma Financial Information with the Directors. This engagement did not involve independent examination of any of the underlying financial information.

Our work did not constitute an audit or a review made in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA, and accordingly, we do not express any such audit or review assurance on the Unaudited Pro Forma Financial Information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29 (1) of the Listing Rules.

Our work has not been carried out in accordance with the auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) and, accordingly, should not be relied upon as if it had been carried out in accordance with those standards.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the Directors, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the financial position of the Group as at 31 August 2009 or any future dates; or
- the estimate earnings per share of the Group for the year ended 31 December 2009 or any future periods.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

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

ERNST & YOUNG

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

工銀國際
ICBC INTERNATIONAL

Access Capital

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
Principal Director
Jimmy Chung
Principal Director

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:

	Document/Approval		
Property	**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 loses, 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

	Property	Amount of valuations in its 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	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)
	Sub-total	HK$318,220,000

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

	Property	Amount of valuations in its 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	3,000,000 (100 per cent. interest)
	Sub-total:	HK$3,000,000

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
	Sub-total:	HK$NIL
	Grand Total:	HK$321,220,000

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	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. 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)* 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)*	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 (番府國用(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 (番府國用(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 (番府國用(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 (番府國用(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:

		Gross Floor Area *(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
	Total	45,416.97

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:

		Gross Floor Area *(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
	Total	27,302.00

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	The property comprises a parcel of vacant land having a site area of approximately 9,103.3 sq.m. (13.669 Chinese Mu). The property is subject to a right to use the land till 24 March 2049 for industrial purpose. *(See Note 1 below)*	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.	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	The property comprises 23 various residential units in various 7-storey residential buildings which were completed in around 1998. The property has a total gross floor area of approximately 1,230.8 sq.m. 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.	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.	4,400,000 (100% interest)

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 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 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. 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.	We have inspected the property and confirmed by the Group that, as at the Date of Valuation, the property was occupied by the Group as office purpose.	3,000,000 (100% interest)

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	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. 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. 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.	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	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. 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. 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.	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	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. 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. 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.	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	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. 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. We have inspected and confirmed by the Group that the property as at the Date of Valuation was vacant.	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.

Set out below is a summary of certain provisions of the memorandum and articles of association of the Company and of certain aspects of Cayman Islands company law.

1. MEMORANDUM OF ASSOCIATION

The memorandum of association provides that the Company's objects are unrestricted. The objects of the Company are set out in Clause 3 of the memorandum of association which is available for inspection at the address and during the period specified in appendix VII to this Prospectus. As an exempted company, the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

2. ARTICLES OF ASSOCIATION

The articles of association of the Company (the "Articles") were adopted on 23 January 2010. The following is a summary of certain provisions of the Articles.

(a) Directors

(i) Power to allot and issue shares

Without prejudice to any special rights or restrictions for the time being attaching to any shares or any class of shares, any share may be issued upon such terms and conditions and with such preferred, deferred or other special rights, or such restrictions, whether as regards dividend, voting, return of capital or otherwise, as the Company may from time to time by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Directors may determine) and any preference shares may be issued on terms that they are liable to be redeemed upon the happening of a specified event or upon a given date and either at the option of the Company or at the option of the holder. The Directors may issue warrants to subscribe for any class of shares or securities of the Company on such terms as they may from time to time determine.

All unissued shares in the Company shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and generally on such terms they shall in their absolute discretion think fit, but so that no shares shall be issued at a discount.

(ii) Power to dispose of the assets of the Company or any subsidiary

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries although the Directors may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or relevant statutes of the Cayman Islands to be exercised or done by the Company in general meeting.

(iii) Compensation or payments for loss of office

Payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) Loans and the giving of security for loans to Directors

Where the shares of the Company remain listed on the Stock Exchange or on a stock exchange in such other territory as the Directors may from time to time decide, the Company may not make, without the approval of, or ratification by, the Company in general meeting, any loans to, or provide any guarantee, indemnity or security in respect of any loan to a Director or any of his associates, provided that the Articles do not prohibit the granting of any loan or the provision of any guarantee, indemnity or security (i) to be applied for, or in respect of a liability incurred for any business of the Company, (ii) for the purchase by a Director (or the repayment of a loan for his purchase) of a residence where the amount of the loan, the liability under the guarantee or indemnity or the value of the security does not exceed 80 per cent. of the fair market value of such residence nor 5 per cent. of the consolidated net asset value of the Company as shown in its latest audited accounts; provided that any such loan is on normal commercial terms and is secured by a legal charge over the residence; or, (iii) of any amount to, or in respect of a liability of, a company in which the Company has an equity interest, and the amount of such loan, or the liability assumed by the Company under such guarantee, indemnity or security, does not exceed its proportional interest in such company.

(v) Financial assistance to purchase shares of the Company or its holdings company

There are no provisions in the Articles relating to the giving by the Company of financial assistance for the purchase, subscription or other acquisition of shares of the Company or of its holding company. The law on this area is summarised in paragraph 4(b) below.

(vi) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of an auditor) in conjunction with his office of Director for such period and upon such terms as the Directors may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) as the Directors may determine. A Director may be or become a director or other officer of, or be otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profit or other benefit received by him as a director or officer of or from his interest in such other company. The Directors may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as they think fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company. A Director shall not vote or be counted in the quorum on any resolution of the Directors concerning his own appointment or the appointment of any of his associates as the holder of any office or place of profit with the Company or any other company in which the Company is interested (including the arrangement or variation of the terms thereof, or the termination thereof).

Subject to the provisions of the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor will any contract with regard thereto or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. If to the knowledge of a Director, he or any of his associates, is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company, he must declare the nature of his or, as the case may be, his associate(s)' interest at the meeting of the Directors at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest or that of his associates then exists, or in any other case at the first meeting of the Directors after he knows that he or his associate(s) is or has become so interested.

Save as otherwise provided by the Articles, a Director may not vote (nor be counted in the quorum for the voting) on any resolution of the Directors approving any contract or arrangement in which he or any of his associate(s) is to his knowledge materially interested, and if he does so his vote will not be counted, but this prohibition will not apply to any of the following matters, namely:

(aa) any contract or arrangement for the giving to the Director or his associate(s) of any security or indemnity in respect of money lent by him or any of them or obligations undertaken by him for the benefit of the Company;

(bb) any contract or arrangement for the giving by the Company of any security to a third party in respect of a debt or obligation of the Company or any company in which the Company has an interest for which the Director or his associate(s) has himself/themselves guaranteed or secured in whole or in part;

(cc) any contract or arrangement by a Director or his associate(s) to subscribe for shares or debentures or other securities of the Company to be issued pursuant to any offer or invitation to the members or debenture or other securities holders or to the public which does not provide the Director and his associate(s) any privilege not accorded to any other members or debenture or other securities holders or to the public;

(dd) any contract or arrangement concerning an offer of the shares, debentures or other securities of or by the Company for subscription or purchase where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer and/or for the purposes of making any representations, the giving of any covenants, undertakings or warranties or assuming any other obligations in connection with such offer;

(ee) any contract or arrangement in which the Director or his associate(s) is/are interested by virtue only of his/their interest in shares or debentures or other securities of the Company and/or his/their being the offeror or one of the offerors or is interested in one of the offerors for the purchase or effective acquisition of such shares, debentures or other securities;

(ff) any contract or arrangement concerning any company in which he or his associate(s) is/are interested directly or indirectly whether as an officer or an executive or a member, other than a company in which the Director or his associates owns five per cent. or more of the voting equity capital or voting rights of any class of shares of such company (or of any third company through which his interest is derived), excluding shares which carry no voting rights at general meetings and no or nugatory dividend and return of capital rights, and excluding shares held directly or indirectly through the Company;

(gg) any proposal or arrangement for the benefit of employees of the Company or its subsidiaries including a pension fund or retirement, death or disability benefit scheme or personal pension plan under which a Director, his associate(s) and employees of the Company or of any of its subsidiaries may benefit and which has been approved by or is subject to and conditional on approval by the relevant tax authorities for taxation purposes or relates to Directors, associate(s) of Directors and employees of the Company or any of its subsidiaries and does not give the Director or his associate(s) any privilege not accorded to the relevant class of officers of which the Director is a member and to whom such scheme or fund relates;

(hh) any proposal concerning the adoption, modification or operation of any share scheme involving the issue or grant of options over shares or other securities by the Company to, or for the benefit of, the employees of the Company or its subsidiaries under which the Director or his associate(s) may benefit; and

(ii) any contract, agreement, transaction or proposal concerning the purchase and/or maintenance of any insurance policy for the benefit of any Director, his associate(s), officer or employee pursuant to the Articles.

(vii) Remuneration

The Directors shall be entitled to receive by way of ordinary remuneration for their services such sum as is from time to time determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. The foregoing provisions shall not apply to a Director who holds any salaried employment or office in the Company except in the case of sums paid in respect of Directors' fees. The Directors shall also be entitled to be repaid all travelling, hotel and other expenses reasonably incurred by them respectively in or about the performance of their duties as Directors, including their expenses of travelling to and from Directors' meetings, committee meetings or general meetings, or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who performs any special or extra services to or at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be arranged. Notwithstanding the foregoing the remuneration of the managing director, joint managing director, deputy managing director or an executive Director or a Director appointed to any other office in the management of the Company may be fixed from time to time by the Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration is in addition to his ordinary remuneration as a Director.

The Directors also have power to establish and maintain or procure the establishment and maintenance of any contributory or non-contributory pension or superannuation funds for the benefit of, or to give or procure the giving of donations, gratuities, pensions, allowances or emoluments to, any persons who are or were at any time in the employment or service of the Company, or of any company which is a subsidiary of the Company, or is allied or associated with the Company or with any such subsidiary company, or who are or were at any time directors or officers of the Company or of any such other company as aforesaid, and holding or who have held any salaried employment or office in the Company or such other company, and the spouses, widows, widowers, families and dependants of any such persons and may make payments for or towards the insurance of any such persons. Any Director holding any such employment or office is entitled to participate in and retain for his own benefit any such donation, gratuity, pension, allowance or emolument.

(viii) Retirement, appointment and removal

At each annual general meeting, one-third of the Directors for the time being (or if their number is not three or a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last election but as between persons who became Directors on the same day those to retire shall (unless they otherwise agree between themselves) be determined by lot.

A Director is not required to retire upon reaching any particular age.

The Directors are entitled to attend and speak at all general meetings.

The number of Directors shall not be fewer than one. A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for breach of any contract of service between him and the Company). Subject to the statutes and the provisions of the Articles, the Company may from time to time in general meeting by ordinary resolution elect any person to be a Director either to fill a casual vacancy or as an additional Director. In addition, the Directors may appoint any person to be a Director either to fill a casual vacancy or as an additional Director but so that the number of Directors so appointed shall not exceed the maximum number determined from time to time by the members in general meeting. Any Director so appointed shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at the meeting.

The Directors may from time to time entrust to and confer upon the chairman, deputy chairman, managing director, joint managing director, deputy managing director or executive director of the Company all or any of the powers of the Directors that they may think fit, provided that the exercise of all powers by such Director shall be subject to such regulations and restrictions as the Directors may from time to time make and impose. The Directors may delegate any of their powers to committees consisting of such member or members of their body and such other persons as they think fit, and they may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall in the exercise of the powers so delegated conform to any regulations that may from time to time be imposed upon it by the Directors.

(ix) Borrowing powers

The Directors may from time to time at their discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and uncalled capital or any part thereof. The Directors may raise or secure the payment or repayment of such sum or sums in such manner and upon such terms and conditions in all respects as they think fit and in particular, but subject to the provisions of the Companies Law, by the issue of debentures, debenture stock, bonds or other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: The provisions summarised above, in common with the Articles in general, may be varied with the sanction of a special resolution of the Company.

(x) Qualification shares

Directors of the Company are not required under the Articles to hold any qualification shares.

(xi) Indemnity to Directors

The Articles contain provisions that provide indemnity to, among other persons, the Directors from and against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices or trusts, except such (if any) as they shall incur or sustain through their own fraud or dishonesty.

(b) Alterations to constitutive documents

The memorandum of association of the Company may be altered by the Company in general meeting. The Articles may also be amended by the Company in general meeting. As more fully described in paragraph 3 below, the Articles provide that, subject to certain exceptions, a special resolution is required to alter the memorandum of association, to approve any alteration to the Articles and to change the name of the Company.

(c) Alterations of capital

The Company may from time to time by ordinary resolution:

(i) increase its share capital;

(ii) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; on any consolidation of fully paid shares into shares of larger amount, the Board may settle any difficulty which may arise as it thinks expedient and in particular (but without prejudice to the generality of the foregoing) may, as between the holders of the shares to be consolidated, determine which particular shares are to be consolidated into a consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;

(iii) divide its shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions;

(iv) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled;

(v) sub-divide its shares or any of them into shares of smaller amount than is fixed by the memorandum of association, subject nevertheless to the Companies Law, and so that the resolution whereby any shares are sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares;

(vi) change the currency of denomination of its share capital; and

(vii) make provision for the issue and allotment of shares which do not carry any voting rights.

The Company may by special resolution reduce its issued share capital, any capital redemption reserve fund or other undistributable reserve in any manner authorised and subject to any conditions prescribed by law. The Company may apply its share premium account in any manner permitted by law.

(d) Variation of rights of existing shares or classes of shares

If at any time the capital is divided into different classes of shares, all or any of the special rights (unless otherwise provided for by the terms of issue of that class) attached to any class may, subject to the provisions of the Companies Law, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will mutatis mutandis apply, save as to the provisions regarding the quorum of meetings, as to which see paragraph 2(s) below.

(e) Special resolutions – majority required

For so long as any part of the issued capital of the Company remains listed on the Stock Exchange, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their respective duly authorised representatives, or by proxy, at a general meeting of which notice of not less than 21 clear days' and not less than ten (10) clear business days, specifying the intention to propose the resolution as a special resolution, has been duly given. However, at all times while any part of the issued capital of the Company remains listed on the Stock Exchange, except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than 95 per cent. in nominal value of the shares giving that right, (or, in the case of an annual general meeting, by all members) a resolution may be proposed and passed as a special resolution at a meeting of which notice of less than 21 clear days' and less than ten (10) clear business days has been given.

(f) Voting rights

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for every share of which he is the holder which is fully paid or credited as fully paid (but so that no amount paid or credited as paid on a share in advance of calls or instalments is treated for the foregoing purposes as paid on the share). So long as the shares are listed on the Stock Exchange, where any member is, under the Listing Rules (as defined in the Articles), required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member (whether by way of proxy or, as the case may be, corporate representative) in contravention of such requirement or restriction shall not be counted. On a poll, a member entitled to more than one vote need not use all his votes or cast all his votes in the same way.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll.

Where a shareholder is a clearing house (as defined in the Articles) or a nominee of a clearing house, it may authorise such persons as it thinks fit to act as its representatives at any meeting of the Company or at any meeting of any class of shareholders provided that the authorisation shall specify the number and class of shares in respect of which each such representative is so authorised. Each person so authorised under the provisions of the Articles shall be entitled to exercise the same rights and powers as if such person was the registered holder of the shares of the Company held by the clearing house (or its nominees) in respect of the number and class of shares specified in the relevant authorisation.

(g) Requirements for annual general meetings

For so long as any part of the issued capital of the Company remains listed on the Stock Exchange, an annual general meeting must be held once in every year and within not more than 15 months after the last preceding annual general meeting or such longer period as is permissible or not prohibited under the rules of the Stock Exchange on which any securities of the Company are listed with the permission of the Company.

(h) Accounts and audit

The Directors shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipts and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by law or are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts are to be kept at the principal office of the Company or at such other place as the Directors think fit and shall always be open to the inspection of the Directors. No member (not being a Director) or other person has any right to inspect any account or book or document of the Company except as conferred by the Companies Law or ordered by a court of competent jurisdiction or authorised by the Directors or by the Company in general meeting.

The Directors shall from time to time cause to be prepared and laid before the Company at its annual general meeting such profit and loss accounts, balance sheets, group accounts (if any) and reports and so long as any shares in the Company are listed on the Stock Exchange, the accounts of the Company shall be prepared and audited based on the generally accepted accounting principles of Hong Kong or the International Financial Reporting Standards or such other standards as the Stock Exchange may permit. Every balance sheet of the Company shall be signed on behalf of the Directors by two Directors and a copy of every balance sheet (including every document required by law to be comprised therein or attached or annexed thereto) and profit and loss account which is to be laid before the Company at its annual general meeting, together with a copy of the Directors' report and a copy of the auditors' report, shall not less than 21 days before the date of the meeting, be sent to every member of, and every holder of debentures of, the Company and every other person entitled to receive notices of general meetings of the Company under the Companies Law or of the Articles. Subject to due compliance with the Companies Law and the rules of the Stock Exchange, and to obtaining all necessary consents, if any, required thereunder and such consents being in full force and effect, such requirements shall be deemed satisfied in relation to any person by sending to the person in any manner not prohibited by the Companies Law and instead of such copies, a summary financial statement derived from the Company's annual financial statements and the directors' report thereon, which shall be in the form and containing the information required by applicable laws and regulation, provided that any person who is otherwise entitled to the annual financial statements of the Company and the directors' report thereon may, if he so requires by notice in writing served on the Company, demand that the Company sends to him, in addition to a summary financial statement, a complete printed copy of the Company's annual financial statement and the directors' report thereon. If all or any of the shares or debentures of the Company are for the time being (with the consent of the Company) listed or dealt in on any stock exchange, there shall be forwarded to such stock exchange such number of copies of such documents as may for the time being be required under its regulations or practice.

Auditors shall be appointed and their duties regulated in accordance with the Articles. Save as otherwise provided by such provisions the remuneration of the auditors shall be fixed by or on the authority of the Company at each annual general meeting, but in respect of any particular year, the Company in general meeting may delegate the fixing of such remuneration to the Directors.

(i) Notices of meetings and business to be conducted thereat

For so long as any part of the issued capital of the Company remains listed on the Stock Exchange, an annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days and any extraordinary general meeting at which the passing of a special resolution is to be considered shall be called by notice of not less than twenty-one (21) clear days and not less than ten (10) clear business days. All other extraordinary general meetings may be called by notice of not less than fourteen (14) clear days and not less than ten (10) clear business days. The notice shall specify the place, the day and the hour of meeting and particulars of resolutions to be considered at the meeting and, in case of special business, the general nature of that business.

(j) Transfer of shares

All transfers of shares must be effected by transfer in writing in the usual or common form or so long as any shares in the Company are listed on the Stock Exchange, such standard form prescribed by the Stock Exchange or in any other form acceptable to the Board and may be under hand only or, if the transferor or transferee is a clearing house or its nominee(s), by hand, by machine imprinted signature or by such other means of execution as the Directors may approve from time to time; and an instrument of transfer must be executed by or on behalf of the transferor and by or on behalf of the transferee and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof, provided that the Directors may in their absolute discretion dispense with the requirement for the production of a transfer in writing before registering a transfer of a share, and may accept mechanically executed transfers in any case.

The Directors may, in their absolute discretion, at any time and from time to time transfer or agree to transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Directors otherwise agree, no shares on the principal register shall be transferred to any branch register nor shall shares on any branch register be transferred to the principal register or any other register. All transfers and other documents of title must be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the transfer office for that register.

The Directors may in their absolute discretion and without assigning any reason therefor, refuse to register any transfer of any shares (not being fully paid shares) to a person of whom they do not approve and they may refuse to register the transfer of any shares (not being fully paid shares) on which the Company has a lien. The Directors may also refuse to register a transfer of shares (whether fully paid or not) in favour of more than four persons jointly or any share issued under any share option scheme for employees upon which a restriction on transfer imposed thereby shall subsist, or where the transfer is to an infant or a person of unsound mind or under other legal disability. If the Directors refuse to register a transfer, they must within two months after the date on which the transfer was lodged with the Company send to the transferor and transferee notice of the refusal and (if the shares concerned are fully paid shares) the reason(s) for such refusal.

The Directors may, if applicable, decline to recognise an instrument of transfer unless the instrument of transfer is properly stamped, is in respect of only one class of share and is lodged at the relevant registration or transfer office accompanied by the relevant share certificate(s) and such other evidence as they may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may, on giving notice by advertisement in one English and one Chinese newspaper circulating in Hong Kong, be suspended at such times and for such periods as the Directors may from time to time determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole 30 days in any year.

(k) Power for the Company to purchase its own shares

The Articles provide that the power of the Company to purchase or otherwise acquire its shares is exercisable by the Directors upon such terms and conditions as they think fit subject to the conditions prescribed by the Companies Law.

(l) Power of any subsidiary to own securities in the Company

There are no provisions in the Articles relating to ownership of securities in the Company by a subsidiary.

(m) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency but no dividend may exceed the amount recommended by the Directors. The Company may also make a distribution out of share premium account subject to the provisions of the Companies Law.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends will be apportioned and paid pro rata according to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid. No amount paid on a share in advance of calls will for this purpose be treated as paid on the shares. The Directors may retain any dividends or other moneys payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may deduct from any dividend or bonus payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid in lieu of the whole or such part of the dividend as the Directors may think fit.

The Company may also upon the recommendation of the Directors by an ordinary resolution resolve in respect of any particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared the Directors may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends, bonuses or other distributions or the proceeds of the realisation of any of the foregoing unclaimed for one year after having been declared may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions or proceeds as aforesaid unclaimed for six years after having been declared may be forfeited by the Directors and, upon such forfeiture, shall revert to the Company and, in the case where any of the same are securities in the Company, may be re-allotted or re-issued for such consideration as the Directors think fit.

(n) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company or a meeting of the holders of any class of shares in the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him to vote on his behalf at a general meeting of the Company or at a class meeting. At any general meeting, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy. Proxies need not be members of the Company.

A proxy shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were an individual member.

(o) Corporate representatives

A corporate member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint any person or persons as its representative to attend and vote on its behalf. A corporate member represented by its representative is deemed to be present in person at the relevant meeting and its representative may vote on a poll on any resolution put at such meeting.

(p) Calls on shares and forfeiture of shares

The Directors may from time to time make such calls as it may think fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20 per cent. per annum as the Directors shall fix from the day appointed for the payment thereof to the time of actual payment, but the Directors may waive payment of such interest wholly or in part. The Directors may, if they think fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20 per cent. per annum as the Directors may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment thereof, the Directors may, at any time thereafter during such time as any part of the call or instalment remains unpaid, serve a notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice will name a further day (not earlier than the expiration of fourteen days from the date of the notice) on or before which the payment required by the notice is to be made, and it will also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all moneys which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Directors shall in their discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20 per cent. per annum as the Board may prescribe.

(q) Inspection of register of members

For so long as any part of the share capital is listed on the Stock Exchange, any member may inspect the principal or branch register of the Company maintained in Hong Kong without charge and require the provision to him of copies or extracts thereof in all respect as if the Company were incorporated under and is subject to the Companies Ordinance (Cap. 32) of the laws of Hong Kong.

(r) Inspection of register of Directors

There are no provisions in the Articles relating to the inspection of the register of Directors and Officers of the Company, since the register is not open to inspection (as to which see paragraph 4(k) below).

(s) Quorum for meetings and separate class meetings

For all purposes the quorum for a general meeting shall be two members present in person and entitled to vote (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting convened to sanction the modification of class rights, the necessary quorum shall not be less than two persons holding or representing by proxy one-third in nominal value of the issued shares of that class and, where such meeting is adjourned for want of quorum, the quorum for the adjourned meeting shall be any two members present in person and entitled to vote or by proxy (whatever the number of shares held by them).

(t) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority members in relation to fraud or oppression. However, certain remedies are available to members of the Company under Cayman Islands company law as summarised in paragraph 4(e) below.

(u) Procedures on liquidation

A resolution for a court or voluntary winding up of the Company must be passed by way of a special resolution.

If the Company shall be wound up, the surplus assets remaining after payment to all creditors are to be divided among the members in proportion to the capital paid up on the shares held by them respectively, and if such surplus assets shall be insufficient to repay the whole of the paid up capital, they are to be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them respectively, all subject to the rights of any shares issued on special terms and conditions.

If the Company shall be wound up (whether the liquidation is voluntary or by the court), the liquidator may, with the sanction of a special resolution, divide among the members in specie or kind the whole or any part of the assets of the Company and whether the assets consist of property of one kind or properties of different kinds and the liquidator may, for such purposes, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division is to be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any one or more class or classes of property and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like sanction, shall think fit, but so that no member shall be compelled to accept any shares or other assets upon which there is a liability.

(v) Untraceable members

The Company may sell the shares of any member if: (i) dividends or other distributions have been declared by the Company on at least three occasions during a period of 12 years and these dividends or distributions have been unclaimed on such shares; (ii) the Company has published an advertisement of its intention to sell such shares in English and in Chinese in one leading English and (unless unavailable) one leading Chinese newspaper circulating in the territory of the stock exchange on which the ordinary share capital of the Company is listed and a period of three months has elapsed since the date of the first publication of such notice; (iii) the Company has not at any time during the said periods of 12 years and three months received any indication of the existence of the member who is the holder of such shares or of a person entitled to such shares by death, bankruptcy or operations of law; and (iv) the Company has notified the stock exchange on which the ordinary share capital of the Company is listed of its intention to sell such shares. The net proceeds of any such sale will belong to the Company and upon the receipt of such net proceeds by the Company, the Company will become indebted to the former holder of such shares for an amount equal to the amount of such net proceeds.

(w) Stock

The Company may by ordinary resolution convert any fully paid shares into stock, and may from time to time by like resolution reconvert any stock into fully paid shares of any denominations. The holders of stock may transfer the same or any part thereof in the same manner, and subject to the same regulations as and subject to which the shares from which the stock arose might prior to conversion have been transferred or as near thereto as circumstances admit, but the Directors may from time to time, if they think fit, fix the minimum amount of stock transferable and restrict or prohibit the transfer of fractions of that minimum, but so that such minimum shall not exceed the nominal amount of the shares from which the stock arose. No warrants to bearer shall be issued in respect of any stock. The holders of stock shall, according to the amount of the stock held by them, have the same rights, privileges and advantages as regards dividends, participation in assets on a winding-up, voting at meetings, and other matters, as if they held the shares from which the stock arose, but no such privilege of the Company shall be conferred by an amount of stock which would not, if existing in shares, have conferred such privilege or advantage. All such of the provisions of the Articles as are applicable to paid up shares shall apply to stock, and the words "share" and "shareholder" and "member" therein shall include "stock" and "stockholder".

(x) Other provisions

The Articles provide that, to the extent that it is not prohibited by and is in compliance with the Companies Law, if any rights attaching to any warrants which the Company may issue after the date of this prospectus shall remain exercisable and the Company does any act which would result in the subscription price under such warrants being reduced below the par value of a Share, a subscription right reserve shall be established and applied in paying up the shortfall between the subscription price and the par value of a Share on any exercise of the warrants.

3. VARIATION OF MEMORANDUM AND ARTICLES OF ASSOCIATION

Subject to the rights of the Company set out in paragraph 2(c) above to amend its capital by ordinary resolution, the memorandum of association of the Company may be altered by the Company by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the memorandum of association (subject as provided above) or the Articles or to change the name of the Company. For these purposes, a resolution is a special resolution if it has been passed by a majority of not less than three-fourths of the votes cast by such members of the Company as, being entitled to do so, vote in person or, in the case of such members as are corporations, by their respective duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than 21 clear days and not less than ten (10) clear business days specifying the intention to propose the resolution as a special resolution has been duly given. Except in the case of an annual general meeting, the requirement of not less than 21 clear days' notice and not less than ten (10) clear business days notice may be waived by a majority in number of the members having the right to attend and vote at the relevant meeting, being a majority together holding not less than 95 per cent. in nominal value of the shares giving that right.

4. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of the Cayman Islands company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman Islands company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". The share premium account may be applied by a company subject to the provisions of its memorandum and articles of association in such manner as the company may from time to time determine including, but without limitation:

(i) in paying distributions or dividends to members;

(ii) in paying up unissued shares of the company to be issued to members of the company as fully paid bonus shares;

(iii) in redeeming or purchasing its shares as provided in the Companies Law;

(iv) in writing off

(aa) the preliminary expenses of the company; or

(bb) the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; or

(v) in providing for the premium payable on redemption of any shares or of any debentures of the company.

No dividend or distribution may be paid to members out of the share premium account unless immediately following the date of the proposed payment, the company is able to pay its debts as they fall due in the ordinary course of business.

A company may issue preference shares and redeemable preference shares.

The Companies Law does not contain any express provisions dealing with the variation of rights of holders of different classes of shares.

(b) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands against the provision of financial assistance for the purchase, subscription or other acquisition of its shares, though on English common law principles, the directors have a duty to act in good faith for a proper purpose in the best interests of the company, and moreover, there are restrictions on any act which amounts to a reduction of capital. Accordingly, it may, depending on the circumstances be legitimate for the directors to authorise the provision by a company of financial assistance for the purchase, subscription or other acquisition of its own shares, or the shares of its holding company.

(c) Redemption and Purchase of shares and warrants by a company and its subsidiaries

A company may, if authorised by its articles of associations issue redeemable shares and, purchase its own shares, including any redeemable shares. Purchases and redemptions may only be effected out of the profits of the company or out of the proceeds of a fresh issue of shares made for the purpose, or, if so authorised by its articles of association and subject to the provisions of the Companies Law, out of capital. Any premium payable on a redemption or purchase over the par value of the shares to be purchased must be provided for out of profits of the company or out of the company's share premium account, or, if so authorised by its articles of association and subject to the provisions of the Companies Law, out of capital. Any purchase by a company of its own shares may be authorised by its directors or otherwise by or in accordance with the provisions of its articles. A payment out of capital for a redemption or purchase of a company's own shares is not lawful unless immediately following the date of the proposed payment the company is able to pay its debts as they fall due in the ordinary course of business. The shares so purchased or redeemed will be treated as cancelled and the company's issued, but not its authorised, capital will be diminished accordingly.

A company is not prohibited from purchasing and may purchase its own subscription warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and in certain circumstances, may acquire such shares. A company, whether a subsidiary or a holding company, may only purchase its own shares for cancellation if it is authorised to do so in its articles of association.

(d) Dividends and distributions

A company may not pay a dividend, or make a distribution out of share premium account unless immediately following the date on which the payment is proposed to be made, the company is able to pay its debts as they fall due in the ordinary course of business.

(e) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of a company to challenge (a) an act which is ultra vires the company or illegal (b) an act which constitutes a fraud against the minority and the wrong doers are themselves in control of the company, or (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of company (not being a bank) having a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the court shall direct.

Any shareholder of a company may petition the court which may make a winding up order if the court is of the opinion that it is just and equitable that the company shall be wound up.

Generally, claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the memorandum and articles of association of the company.

(f) Management

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary is required, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(g) Accounting and auditing requirements

The Companies Law requires a company to cause proper records of accounts to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company and (iii) the assets and liabilities of the company. A company is required to keep such books of account as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(h) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(i) Taxation

There are no income, corporation, capital gains or other taxes in effect in the Cayman Islands on the basis of the present legislation. As an exempted company, the Company has received from the Governor-in-Counsel of the Cayman Islands pursuant to the Tax Concessions Law (1999 Revision) of the Cayman Islands, an undertaking that in the event of any change to the foregoing, the Company, for a period of 20 years from the date of the grant of the undertaking, will not be chargeable to tax in the Cayman Islands on its income or its capital gains arising in the Caymans Islands or elsewhere and that dividends of the Company will be payable without deductions of Cayman Islands tax. No capital or stamp duties are levied in the Cayman Islands on the issue, transfer or redemption of Shares.

(j) Stamp duty

Certain documents (which do not include contract, notes for the sale and purchase of, or instruments of transfer of, shares in Cayman Islands companies) are subject to stamp duty which is generally calculated on an ad valorem basis.

(k) Inspection of corporate records

Neither the members of a company nor the general public have the right to inspect the register of directors and officers, the minutes, accounts or, in the case of any exempted company, the register of members. The register of mortgages and charges must be kept at the registered office of the company and must be open to inspection by any creditor or member at all reasonable times.

Members of the public have no right to inspect the constitutive documents of a company but the memorandum and articles of association must be forwarded to any member of the company upon request. If no articles of association have been registered with the Registrar of Companies, each member has the right to receive copies of special resolutions of members upon request upon payment of a nominal fee.

The location of the registered office of a company is available to the general public upon request to the Registrar of Companies.

(l) Winding up

A company may be wound up by the Cayman Islands court on application presented by the company itself, its creditors or its contributors. The Cayman Islands court also has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Cayman Islands court, just and equitable that such company be wound up.

A company may be wound up voluntarily when the members so resolve in general meeting, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or the event occurs on the occurrence of which the memorandum or articles provides that the company is to be dissolved, or, the company does not commence business for a year from its incorporation (or suspends its business for a year), or, the company is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Grand Court of the Cayman Islands (the "Court"), there may be appointed one or more than one person to be called an official liquidator or official liquidator; and the Court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. A person shall be qualified to accept an appointment as an official liquidator if he is duly qualified in terms of the Insolvency Practitioners Regulations. A foreign practitioner may be appointed to act jointly with a qualified insolvency practitioner.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets. A declaration of solvency must be signed by all the directors of a company being voluntarily wound up within twenty-eight (28) days of the commencement of the liquidation, failing which, its liquidator must apply to Court for an order that the liquidation continue under the supervision of the Court.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval.

A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (*pari passu* if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. At least twenty-one (21) days before the final meeting, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorised by the company's articles of association and published in the Gazette in the Cayman Islands.

FURTHER INFORMATION ABOUT THE COMPANY AND ITS SUBSIDIARIES

1. Incorporation of our Company

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 9 January 2008 with an authorised share capital of HK$100,000 divided into 1,000,000 Shares of HK$0.10 each. On 9 January 2008, one Share was allotted and issued, nil-paid, to Codan Trust Company (Cayman) Limited, which was transferred to Bournam on the same date. Additional 999,999 Shares were allotted and issued, nil-paid, to Bournam on the same date. The said 1,000,000 nil-paid Shares were subsequently paid up in the manner described in paragraph 4 below.

Our Company was incorporated in the Cayman Islands and is subject to the relevant laws and regulations of the Cayman Islands. Its constitution comprises a memorandum of association and the Articles of Association. A summary of certain relevant parts of its constitution and of the Cayman Islands company law is set out in Appendix V to this prospectus.

2. Changes in share capital of the Company

(a) Increase in authorised share capital

Pursuant to a resolution in writing passed by the sole Shareholder (namely, Bournam) on 23 January 2010, the authorised share capital of our Company was increased to HK$1,000,000,000 by the creation of a further 9,999,000,000 Shares.

On 21 April 2008, Bournam as borrower has taken out the Bournam Loan with ICBC (Asia) in the aggregate sum of up to HK$60,000,000, which was on-lent to some members of the Group primarily for the purpose of the Reorganisation and/or the Listing. Certain securities have been given by certain members of our Group in favour of ICBC (Asia), which have been released as at the Latest Practicable Date after the full settlement of the Bournam Loan by Bournam in May 2009. Please refer to the paragraph headed "Financial independence" under the section headed "Relationship with Controlling Shareholders" in this prospectus for further details of the Bournam Loan.

Immediately following completion of the Global Offering and the Capitalisation Issue but without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option or the options which may be granted under the Share Option Scheme, 1,000 million Shares will be issued fully paid or credited as fully paid, and 9,000 million Shares will remain unissued. In the event that the Over-allotment Option is exercised in full, 1,045 million Shares will be issued fully paid or credited as fully paid, and 8,955 million Shares will remain unissued. Other than pursuant to the exercise of the Over-allotment Option or the options which may be granted under the Share Option Scheme, the Directors do not have any present intention to issue any of the authorised but unissued share capital of the Company and, without the prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of the Company.

Save as disclosed herein and in paragraphs 1 and 3 of this Appendix, there has been no alteration in the share capital of the Company since its incorporation.

(b) Founder shares

The Company has no founder shares, management shares or deferred shares.

3. Resolutions in writing of the sole Shareholder passed on 23 January 2010

On 23 January 2010, pursuant to resolutions in writing passed by the then sole Shareholder:

(a) the authorised share capital was increased from HK$100,000 to HK$1,000,000,000 by the creation of a further 9,999,000,000 Shares;

(b) the Company approved and adopted its existing Articles of Association;

(c) conditional on the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in the Shares in issue and to be issued as mentioned in this prospectus on the Main Board and on the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of those agreements or otherwise, in each case on or before the day falling 30 days after the date of this prospectus:

(i) the Global Offering and the Over-allotment Option were approved and the Directors were authorised to approve the allotment and issue of the Offer Shares and such number of Shares as may be allotted and issued upon the exercise of the Over-allotment Option and to approve the transfer of the Sale Shares;

(ii) the rules of the Share Option Scheme, the principal terms of which are set out in paragraph 15 of this Appendix, were approved and adopted and the Directors or any such committee thereof, were authorised to approve any amendments to the rules of the Share Option Scheme as may be acceptable or not objected to by the Stock Exchange, and at their absolute discretion to grant options to subscribe for Shares thereunder, to allot, issue and deal with Shares pursuant to the exercise of options granted under the Share Option Scheme and to take all such steps as may be necessary or desirable to implement the Share Option Scheme;

(iii) conditional on the share premium account being credited as a result of the Global Offering, the Directors were authorised to capitalise HK$65,000,000 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 650,000,000 Shares for allotment and issue to Shareholder(s) whose name(s) appear(s) on the register of members of the Company at the close of business on 23 January 2010 (or as it/they may direct) in proportion (as nearly as possible without involving fractions) to its/their then existing shareholdings in the Company and so that the Shares to be allotted and issued pursuant to this resolution shall rank pari passu in all respects with the then existing issued Shares (other than the right to participate in the Capitalisation Issue) and the Directors be and they are hereby authorised to give effect to such capitalisation;

(iv) a general unconditional mandate was given to the Directors to allot, issue and deal with, otherwise than by way of rights issue, scrip dividend schemes or similar arrangements in accordance with the Articles of Association, or pursuant to the grant of options under the Share Option Scheme or the exercise of any options which have been or may be granted under the Share Option Scheme or under the Global Offering or the Capitalisation Issue or upon the exercise of the Over-allotment Option, Shares with an aggregate nominal amount of not exceeding the sum of (aa) 20% of the aggregate nominal amount of the share capital of the Company in issue immediately following completion of the Global Offering and the Capitalisation Issue (excluding the Shares which may be issued pursuant to the exercise of the Over-allotment Option or exercise of options that may be granted under the Share Option Scheme); and (bb) the aggregate nominal amount of the share capital of the Company which may be purchased by the Company pursuant to the authority granted to the Directors as referred to in paragraph (v) below, until the conclusion of the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by the Articles of Association or any applicable Cayman Islands law to be held, or the passing of an ordinary resolution by Shareholders revoking or varying the authority given to the Directors, whichever occurs first; and

(v) a general unconditional mandate (the "**Repurchase Mandate**") was given to the Directors to exercise all powers of the Company to purchase Shares with an aggregate nominal amount of not exceeding 10% of the aggregate nominal amount of the share capital of the Company in issue and to be issued immediately following completion of the Global Offering and the Capitalisation Issue (excluding the Shares which may be issued pursuant to the exercise of the Over-allotment Option or exercise of options that may be granted under the Share Option Scheme), until the conclusion of the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by the Articles of Association or any applicable Cayman Islands law to be held, or the passing of an ordinary resolution by Shareholders revoking or varying the authority given to the Directors, whichever occurs first; and

(vi) the extension of the general mandate to allot, issue and deal with Shares to include the nominal amount of Shares which may be purchased or repurchased pursuant to paragraph (v) above.

4. Corporate reorganisation

The companies comprising our Group underwent the Reorganisation to rationalise the Group's structure in preparation for the Listing and the Company became the holding company of our Group.

The Reorganisation involved the transfer to the Company by Bournam of an aggregate of 300 shares of US$1 each, being the entire issued share capital of Lessonstart, in consideration and in exchange for which the Company (i) allotted and issued, credited as fully paid, an aggregate of 99,000,000 new Shares to Bournam, and (ii) credited as fully paid at par the 1,000,000 nil-paid Shares held by Bournam.

In addition to the transfer of shares in Lessonstart referred to above, the Group also underwent the following corporate restructuring:

(a) by an agreement dated 20 October 2007 and made between Lessonstart (as transferee) and GZFLD (as transferor), Lessonstart has agreed to purchase 16% equity interest in PCKSP from GZFLD at a consideration of RMB44,480,000. Such acquisition by Lessonstart was approved by Guangzhou City Foreign Trading and Economic Co-operation Bureau on 1 November 2007. The filing of such changes with the relevant administration of industry and commerce was effected on 8 November 2007;

(b) CKSPG was incorporated in Hong Kong on 13 December 2007 as an investment holding company to hold equity interests in the Group members established in the PRC. CKSPG is wholly owned by Lessonstart;

(c) by two several agreements both dated 20 December 2007 entered into between CKSPG and Lessonstart, Lessonstart agreed to transfer to CKSPG (a wholly owned subsidiary of Lessonstart) (i) Lessonstart's 100% equity interest in PCKSP at a nominal consideration of HK$1 and (ii) Lessonstart's 25% equity interest in Hualong Anti-Corrosion at a nominal consideration of HK$1. The transfers under (i) and (ii) were approved by Guangzhou City Panyu District Foreign Trading and Economic Co-operation Bureau on 28 December 2007 and 25 December 2007 respectively. The filing of such changes regarding PCKSP and Hualong Anti-Corrosion with the relevant administration of industry and commerce were both effected on 29 December 2007;

(d) by four several agreements all dated 20 December 2007 between CKSPG and JCH Enterprise, it was agreed to transfer the 100% equity interest in each of the GPR Companies to CKSPG at a total nominal consideration of HK$4. Such acquisitions were approved by Guangzhou City Panyu District Foreign Trading and Economic Co-operation Bureau on 25 December 2007. The filing of such changes with the relevant administration of industry and commerce were all effected on 29 December 2007;

(e) GPR Steel Pipe (Zhangjiagang branch) was set up in the PRC on 14 January 2008 as a branch of GPR Steel Pipe then planned for engaging in the Group's steel pipe business in the Zhangjiagang area. Chu Kong Zhangjiagang was disposed of by Lessonstart and PCKSP to JCH Enterprise at nil consideration pursuant to an agreement dated 20 February 2008. The approval for such disposal was granted by Zhangjiagang City Foreign Trading and Economic Co-operation Bureau on 26 February 2008. The filing of such changes with the relevant administration of industry and commerce was effected on 3 March 2008. Since then, Chu Kong Zhangjiagang has been excluded from the Group and was de-registered in September 2008;

(f) GPR Steel Pipe (Jiangsu branch) was set up in the PRC on 17 October 2008 as a branch of GPR Steel Pipe to principally engaged in the manufacture of steel pipes. GPR Steel Pipe (Jiangsu branch) commenced trial production in September 2009 and commenced commercial production in January 2010 after successful passing of the acceptance test and obtaining the Pollutant Discharge Permit;

(g) on 8 July 2009, PCKSP (Lianyungang) was established in the PRC to engage in the manufacture and sale of steel pipes. At the time of its establishment, PCKSP (Lianyungang) had a registered capital of RMB40 million, which was subsequently increased to RMB200 million on 16 October 2009 and was further increased to RMB700 million on 4 November 2009. PCKSP (Lianyungang) has been wholly owned by PCKSP since its establishment; and

(h) by an agreement dated 21 August 2009 entered into between GPR Steel Pipe as seller and an Independent Third Party as purchaser, the JCOE production line and the related ancillary production facilities in Zhangjiagang then operated by GPR Steel Pipe (Zhangjiagang branch) was sold to the Independent Third Party at a consideration of RMB119,150,000. The said production line was delivered to an Independent Third Party on 31 August 2009. Since then, GPR Steel Pipe (Zhangjiagang branch) had not carried on any production and was being deregistered as at the Latest Practicable Date.

5. Changes in share capital of subsidiaries

The subsidiaries of the Company are listed in the accountants' report set out in Appendix I to this prospectus.

Save as disclosed in paragraph 4 of this Appendix, there has been no alteration in the share capital of any of the subsidiaries of the Company within the two years immediately preceding the date of this prospectus.

6. Repurchase by the Company of its own securities

This paragraph includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by the Company of its own securities.

(a) Shareholders' approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company listed on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to resolutions in writing passed by the sole Shareholder on 23 January 2010, the Repurchase Mandate was given to the Directors authorising any repurchase by the Company of Shares on the Stock Exchange or any other stock exchange on which the securities of the Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, of up to 10% of the aggregate nominal amount of the share capital of the Company immediately following completion of the Global Offering and the Capitalisation Issue (excluding the Shares which may be issued pursuant to the exercise of the Over-allotment Option or exercise of options that may be granted under the Share Option Scheme), such mandate will expire at the conclusion of the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by the Articles of Association or applicable Cayman Islands law to be held, or the passing of an ordinary resolution by the Shareholders in general meeting revoking or varying the same, whichever occurs first.

(b) Source of funds

Repurchases must be paid out of funds legally available for the purpose in accordance with the Company's Articles of Association and the Companies Law. A listed company may not repurchase its own securities on the Main Board for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange.

Under Cayman Islands law, any repurchases by the Company may be made out of profits of the Company or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if authorised by its Articles of Association and subject to the Companies Law, out of capital. Any premium payable on a redemption or purchase over the par value of the Shares to be repurchased must be provided for out of profits or the share premium account of the Company or, if authorised by its Articles of Association and subject to the Companies Law, out of capital.

(c) Reasons for repurchases

The Directors believe that it is in the best interests of the Company and its Shareholders for the Directors to have general authority from the Shareholders to enable the Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made if the Directors believe that such repurchases will benefit the Company and its Shareholders.

(d) Funding of repurchases

In repurchasing securities, the Company may only apply funds legally available for such purpose in accordance with its Articles of Association, the Listing Rules and the applicable laws of the Cayman Islands.

On the basis of the current financial position of the Group as disclosed in this prospectus and taking into account the current working capital position of the Group, the Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of the Group as compared with the position disclosed in this prospectus. However, the Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Group or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Group.

Assuming that the Over-allotment Option is not exercised, the exercise in full of the Repurchase Mandate, on the basis of 1,000 million Shares in issue immediately after the listing of the Shares on the Main Board, would result in up to 100 million Shares being repurchased by the Company during the period in which the Repurchase Mandate remains in force.

Assuming that the Over-allotment Option is exercised in full and on the basis of 1,045 million Shares in issue immediately after the exercise of the Over-allotment Option, the exercise in full of the Repurchase Mandate, would result in up to 104.5 million Shares being repurchased by the Company during the period in which the Repurchase Mandate remains in force.

(e) General

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any Shares to the Company or its subsidiaries.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

If, as a result of a securities repurchase, a Shareholder's proportionate interest in the voting rights of the Company is increased, such increase will be treated as an acquisition for the purpose of the Hong Kong Code on Takeovers and Mergers (the "**Takeovers Code**"). Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code. Save as aforesaid, the Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

No connected person (as defined in the Listing Rules) of the Company has notified the Company that he has a present intention to sell Shares to the Company, or has undertaken not to do so if the Repurchase Mandate is exercised.

7. Registration under Part XI of the Companies Ordinance

The Company has established a principal place of business in Hong Kong for the purpose of registration under Part XI of the Companies Ordinance at Flat B, 16th Floor, Wah Hing Commercial Centre, 383 Shanghai Street, Kowloon, Hong Kong. The Company has been registered as a non-Hong Kong company under Part XI of the Companies Ordinance. Mr. Hu Chung Ming, the secretary of the Company, has been appointed as an agent of the Company for the acceptance of service of process in Hong Kong.

FURTHER INFORMATION ABOUT THE BUSINESS OF THE GROUP

8. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group within the two years preceding the date of this prospectus and are or may be material:

(a) an equity transfer agreement (in Chinese) dated 20 February 2008 and made between Lessonstart and PCKSP both as transferors and JCH Enterprise as transferee for the acquisition by JCH Enterprise of 100% equity interest in the registered capital of Chu Kong Zhangjiagang at nil consideration;

(b) a disposal agreement dated 21 August 2009 entered into by GPR Steel Pipe as seller and 張家港株江鋼管有限公司 (Zhangjiagang Zhujiang Steel Pipe Co. Limited*) as purchaser pursuant to which GPR Steel Pipe disposed of the JCOE production line and the related ancillary production facilities then operated by GPR Steel Pipe (Zhangjiagang branch) at a consideration of RMB119.15 million to the said purchaser;

(c) a share purchase agreement dated 23 January 2010 and made between Bournam as vendor, Mr. Chen as warrantor and the Company as purchaser for (a) the acquisition by the 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; and (b) certain non-competition undertakings given by Mr. Chen and Bournam in favour of the Company;

(d) a deed of indemnity dated 23 January 2010 executed by Bournam and Mr. Chen in favour of the Company for itself and as trustee for its subsidiaries stated therein containing the indemnities in respect of estate duty, taxation and other liabilities more particularly referred to in paragraph 16 of this Appendix; and

(e) the Hong Kong Underwriting Agreement.

9. Intellectual Property Rights of the Group

Trademarks

As at the Latest Practicable Date, the Group was the registered proprietor and beneficial owner of the following registered trademarks:

Trademark	**Place of registration**	**Class** *Note (1)*	**Registration number**	**Date of expiry**
	the PRC	6	804356	6 January 2016
PRST	the PRC	6	804357	6 January 2016
PCK	the PRC	6	1085439	20 August 2017
PCK	the PRC	6	1269334	27 April 2019
PCK	the PRC	45	5104845	27 July 2019
PCK	the PRC	44	5104846	27 July 2019
PCK	the PRC	43	5104847	27 July 2019
PCK	the PRC	42	5104848	13 November 2019

Trademark	Place of registration	Class *Note (1)*	Registration number	Date of expiry
PCK	the PRC	41	5104849	13 July 2019
PCK	the PRC	40	5104850	27 July 2019
PCK	the PRC	37	5104855	27 July 2019
PCK	the PRC	36	5104856	27 July 2019
PCK	the PRC	35	5104857	20 April 2019
PCK	the PRC	19	5104858	13 June 2019
PCK	the PRC	17	5104859	6 June 2019
PCK	the PRC	9	5104860	13 April 2019
PCK	the PRC	7	5104861	6 April 2019
PCK	the PRC	6	5104862	6 April 2019
PCK	the PRC	39	5104863	27 April 2019
PCK	the PRC	38	5104864	27 July 2019
PCK	the PRC	7	6027939	20 November 2019
PCK	Hong Kong	6	301057185 *(Note 2)*	21 February 2018 *(Note 3)*
PCK	Hong Kong	6	301057185 *(Note 2)*	21 February 2018 *(Note 3)*

Notes:

(1) The products and/or services covered under class 6 include steel pipes, pipes of metal, pipes of metal casings, pipes of metal casings for well, pipelines of metal; building materials of metal.

(2) These trademarks are registered as a series of marks.

(3) Registration of these trademarks may be renewed successively for further periods of ten years upon expiry.

As at the Latest Practicable Date, there were applications made by the Group for registration of the following trademarks in the PRC, the registration of which has not yet been granted:

Trademark	Class	Application number	Date of application
PCK	1	6027937	29 April 2007
PCK	2	6027938	29 April 2007
PCK	9	6027940	29 April 2007
PCK	11	6027941	29 April 2007
PCK	17	6027942	29 April 2007
PCK	37	6027943	29 April 2007

Patents

As at the Latest Practicable Date, the Group registered the following 44 patents in the PRC:

Patent	Patent number	Date of expiry
修端機 (Edge-trimming machine*)[(1)]	ZL01215471.7	27 February 2011
刨邊機 (Beveling machine*)[(1)]	ZL01215472.5	27 February 2011
預焊機 (Tack welding machine*)[(1)]	ZL01215473.3	27 February 2011
水壓擴徑機 (Hydraulic diameter-enlarging machine*)[(1)]	ZL01215470.9	27 February 2011
成型機 (Forming machine*)[(1)]	ZL01215469.5	27 February 2011
預彎機 (Edge crimping machine*)[(1)]	ZL01215474.1	27 February 2011
鋼管成型機防偏裝置 (Bias-proof device for pipe forming machine*)[(1)]	ZL00239477.4	13 September 2010
成型機 (Forming machine*)[(1)]	ZL02226725.5	4 April 2012
連續自動預焊機 (Continuous automatic tack welding machine*)[(1)]	ZL03222883.X	8 January 2013
後彎機 (Backswept machine*)[(1)]	ZL200520065402.6	30 September 2015
翻板機 (Plate turnover machine*)[(1)]	ZL200520120340.4	8 December 2015
三輥成型機 (Three-roller forming machine*)[(1)]	ZL200620056377.X	14 March 2016
切管機 (Pipe cutting machine*)[(1)]	ZL200620054291.3	20 January 2016
真空吊具 (Vacuum spreader*)[(1)]	ZL200520120339.1	8 December 2015
焊管夾緊成型芯軸 (Clamping and forming core shaft for welded pipes*)[(1)]	ZL200620056376.5	14 March 2016
可移動擴徑機 (Mobile diameter-enlarging machine*)[(1)]	ZL200620057289.1	30 March 2016
高效擴徑機 (Efficient diameter-enlarging machine*)[(1)]	ZL200620057992.2	18 April 2016
鋼管成型機卡環式防彎裝置 (Clasp type bend-proof device for pipe forming machine*)[(1)]	ZL200720053938.5	7 July 2017
超聲波板邊自動探傷裝置 (Automatic ultrasonic edge detection device*)[(1)]	ZL200920050928.5	24 January 2019
直縫焊管成型機側壓輸送輪 (Lateral pressure transmission wheel for longitudinal welded pipe forming machines*)[(1)]	ZL200920050924.7	24 January 2019
鋼板自動對中裝置 (Auto centreing device for steel plates*)[(1)]	ZL200920050923.2	24 January 2019
過橋翻管機 (Bridge pipe turnover machine*)[(1)]	ZL200920050930.2	24 January 2019
水壓擴徑機充液牆板 (Liquid-filling wallboard for hydraulic diameter-enlarging machine*)[(1)]	ZL200920050925.1	24 January 2019
高速氣體保護自動焊焊槍 (High-speed and gas-protected automatic welding torch*)[(1)]	ZL200920050909.2	24 January 2019
耐磨式埋弧焊導電嘴 (Wear-resistant submerged arc welding conductive nozzle*)[(1)]	ZL200920050922.8	24 January 2019
鋼管離線磨內毛刺機 (Off-line interior-deburring machine for steel pipes*)[(1)]	ZL200920050921.3	24 January 2019
焊絲校直裝置 (Welded wire straightening device*)[(1)]	ZL200920050920.9	24 January 2019
五絲埋弧焊焊接設備 (Five-wire submerged arc welding equipment*)[(1)]	ZL200920050919.6	24 January 2019
飛鋸裝刀裝置 (Flying saw cutter device*)[(1)]	ZL200920050918.1	24 January 2019
擴徑機的方型抱塊裝置 (Square block-holding device for diameter-enlarging machine*)[(1)]	ZL200920050917.7	24 January 2019

Patent	Patent number	Date of expiry
擴徑機擴徑脹塊裝配夾具 (Enlarging block assembly jig for diameter-enlarging machine*)(1)	ZL200920050929.X	24 January 2019
鋼管水壓擴徑用重型封頭 (Heavy head for pipe hydraulic diameter enlarging*)(1)	ZL200920050905.4	24 January 2019
超聲波自動管探焊縫跟蹤裝置 (Tracking device for automatic ultrasonic tube probing seam*)(1)	ZL200920050903.5	24 January 2019
鋼管水壓擴徑機的液壓裝置 (Hydraulic equipment for pipe hydraulic diameter-enlarging machine*)(1)	ZL200920050910.5	24 January 2019
大壁厚鋼管修端刀座 (Trimming holder for great-wall and thick steel pipe*)(1)	ZL200920050907.3	24 January 2019
擴徑機活動抱塊 (Hold block device for diameter-enlarging machine and movable machine*)(1)	ZL200920050906.9	24 January 2019
浮動式刨邊機 (Floating edge planning*)(1)	*(Note)*	24 January 2019
雙驅動推壓式鋼管擴徑裝置 (Pipe diameter-enlarging device with dual drive and push type*)(1)	*(Note)*	18 March 2019
清洗鋼管內壁的噴水頭 (Sprinkler head for internal steel pipe cleaning*)(1)	ZL200920050926.6	24 January 2019
鋼板板面自動潤滑裝置 (Self-lubricating device for steel plate surface*)(1)	ZL200920050904.X	24 January 2019
三輥成型工藝及設備 (Three-roller forming technology and equipment*)(2)	ZL200610034377.4	14 March 2026
焊管夾緊成型芯軸及調整方法 (Clamping and forming core shaft for welded pipes and adjustment methods*)(2)	ZL200610034376.X	14 March 2026
大直縫埋弧焊管快速生產方法 (Fast producing methods for large LSAW steel pipes*)(2)	ZL200710033068.X	29 December 2027
瓶蓋 (Bottle cap*)(3)	ZL200530071391.8	30 September 2015

Note: As at the Latest Practicable Date, the relevant patent registration certificates in respect of these two patents were pending to be issued in the PRC, while the patent announcement was also pending publication by way of public notice in the PRC. Notice of approval for registration of the said patents has already been issued by the intellectual property bureau in the PRC, but the right conferred will come into effect from the date of and subject to the public notice being published in this regard.

Applications made by the Group for registration of the following 3 patents in the PRC were pending registration as at the Latest Practicable Date:

Patent	Application number	Date of application
焊管生產工藝 (Production technology for welded pipes*)(2)	200510100162.3	30 September 2005
鋼管外焊縫開槽裝置 (Slot device for outside weld seam of steel pipes*)(2)	200910037028.1	24 January 2009
雙驅動推壓式鋼管擴徑裝置及擴徑工藝 (Dual drive push type steel expanding device and expanding technology*)(2)	200910126899.0	18 March 2009

(1) utility model patent (實用新型)

(2) invention patent (發明)

(3) outlook design (外觀設計)

* *for identification purposes only*

Domain name

As at the Latest Practicable Date, the Group was the registrant of the following domain name:

Domain name	Registration Date	Expiry Date
www.pck.com.cn	5 April 2002	5 April 2017

10. Further information about the Group's PRC establishments

The Group has interests in the registered capital of seven companies established in the PRC. A summary of the corporate information of these companies is set out as follows:

(1)

(i)	Enterprise:	PCKSP
(ii)	Economic nature:	Limited liability company (wholly owned by entities of Taiwan, Hong Kong or Macau)
(iii)	Registered owner:	CKSPG (100%)
(iv)	Total investment:	HK$353,800,000
(v)	Registered capital:	HK$200,000,000 (fully paid-up)
(vi)	Attributable interest to the Company:	100%
(vii)	Term:	50 years, from 7 June 1993 to 7 June 2043
(viii)	Scope of business:	manufacturing, processing and sale of steel pipes

(2)

(i)	Enterprise:	PCKSP (Lianyungang)
(ii)	Economic nature:	Domestic enterprise
(iii)	Registered owner:	PCKSP (100%)
(iv)	Registered capital:	RMB700,000,000 (fully paid-up)
(v)	Attributable interest to the Company:	100%
(vi)	Term:	8 July 2009 to 7 July 2059
(vii)	Scope of business:	Permitted operation: none General operation: manufacturing, processing and sale of steel pipes; sale of mining products, import and export of commodities and techniques

(3)

(i)	Enterprise:	Hualong Anti-Corrosion
(ii)	Economic nature:	Limited liability company (jointly invested by entities of Taiwan, Hong Kong or Macau with local entities)
(iii)	Registered owner:	PCKSP (75%), CKSPG (25%)
(iv)	Total investment:	RMB20,600,000
(v)	Registered capital:	RMB20,600,000 (fully paid up)
(vi)	Attributable interest to the Company:	100%
(vii)	Term:	11 years, from 19 October 1999 to 19 October 2010
(viii)	Scope of business:	manufacturing of steel pipes which have undergone the anti-corrosive process, processing and sale of products produced

(4)

(i)	Enterprise:	GPR Steel Pipe
(ii)	Economic nature:	Limited liability company (wholly owned by entities of Taiwan, Hong Kong or Macau)
(iii)	Registered owner:	CKSPG (100%)
(iv)	Total investment:	HK$125,000,000
(v)	Registered capital:	HK$50,000,000 (fully paid-up)
(vi)	Attributable interest to the Company:	100%
(vii)	Term:	11 years, from 16 October 2006 to 16 October 2017
(viii)	Scope of business:	manufacturing of steel pipes

(5)

(i)	Enterprise:	GPR Coating
(ii)	Economic nature:	Limited liability company (wholly owned by entities of Taiwan, Hong Kong or Macau)
(iii)	Registered owner:	CKSPG (100%)
(iv)	Total investment:	HK$14,000,000

(v)	Registered capital:	HK$10,000,000 (fully paid up)
(vi)	Attributable interest to the Company:	100%
(vii)	Term:	11 years, from 16 October 2006 to 16 October 2017
(viii)	Scope of business:	manufacturing of steel pipes which have undergone the anti-corrosive process, processing of steel pipes

(6)

(i)	Enterprise:	GPR Petrol-Fittings
(ii)	Economic nature:	Limited liability company (wholly owned by entities of Taiwan, Hong Kong or Macau)
(iii)	Registered owner:	CKSPG (100%)
(iv)	Total investment:	HK$7,000,000
(v)	Registered capital:	HK$5,000,000 (fully paid up)
(vi)	Attributable interest to the Company:	100%
(vii)	Term:	11 years, from 16 October 2006 to 16 October 2017
(viii)	Scope of business:	manufacturing and processing of steel pipes and their spare parts

(7)

(i)	Enterprise:	GPR Casing Pipe
(ii)	Economic nature:	Limited liability company (wholly owned by entities of Taiwan, Hong Kong or Macau)
(iii)	Registered owner:	CKSPG (100%)
(iv)	Total investment:	HK$30,000,000
(v)	Registered capital:	HK$21,000,000 (fully paid up)
(vi)	Attributable interest to the Company:	100%
(vii)	Term:	11 years, from 16 October 2006 to 16 October 2017
(viii)	Scope of business:	the manufacturing of steel casing pipes

FURTHER INFORMATION ABOUT DIRECTORS, MANAGEMENT AND STAFF AND EXPERTS

11. Directors

(a) Disclosure of interests

(i) Mr. Chen is interested in the Reorganisation referred to in paragraph 4 of this Appendix.

(ii) Save as disclosed in this prospectus, none of the Directors or their associates was engaged in any dealings with the Group during the two years preceding the date of this prospectus.

(b) Particulars of service contracts

Each of the executive Directors has entered into a service contract with the Company pursuant to which each of them agreed to act as an executive Director for an initial term of three years commencing from 1 February 2010.

Each of these executive Directors is entitled to a basic salary subject to an annual increment after 1 January 2011 at the discretion of the Directors of not more than 15% of the annual salary immediately prior to such increase. In addition, each of the executive Directors is also entitled to a discretionary management bonus provided that the aggregate amount of the bonuses payable to all the executive Directors for any financial year of the Company may not exceed 5% of the audited combined or consolidated audited net profit of the Group (after taxation and minority interests and payment of such bonuses but before extraordinary or exceptional items) in respect of that financial year of the Company. An executive Director may not vote on any resolution of the Directors regarding the amount of the management bonus payable to him. The annual salaries of the executive Directors provided under the service contracts are as follows:

Name	**Annual salary** *RMB*
Mr. Chen	2,400,000
Ms. Chen Zhao Nian	1,200,000
Ms. Chen Zhao Hua	1,200,000
Total:	4,800,000

Each of the independent non-executive Directors has been appointed for an initial term of two years commencing from 1 February 2010. The Company intends to pay an aggregate directors' fees of about HK$610,400 per annum to all our independent non-executive Directors. Save for directors' fees, none of the independent non-executive Directors is expected to receive any other remuneration for holding their office as an independent non-executive Director.

Save as aforesaid, none of the Directors has or is proposed to have a service contract with the Company or any of its subsidiaries (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

(c) Directors' remuneration

(i) During the year ended 31 December 2008 and the eight months ended 31 August 2009, the aggregate emoluments paid by the Group to the Directors was approximately RMB1.26 million and RMB0.84 million respectively (equivalent to HK$1.44 million and HK$0.96 million respectively).

(ii) Under the arrangements currently in force, the aggregate emoluments payable by the Group to the Directors for the year ending 31 December 2010 are estimated to be approximately RMB4,995,800.

(iii) None of the Directors or any past directors of any member of the Group has been paid any sum of money for each of the three years ended 31 December 2008 and the eight months ended 31 August 2009 as (i) an inducement to join or upon joining the Company; or (ii) for loss of office as a director of any member of the Group or of any other office in connection with the management of the affairs of any member of the Group.

(iv) There has been no arrangement under which a Director has waived or agreed to waive any emoluments for each of the three years ended 31 December 2008 and the eight months ended 31 August 2009.

(d) Interests and short positions of Directors in the Shares, underlying Shares or debentures of the Company and its associated corporations

So far as the Directors are aware, immediately following the completion of the Global Offering and the Capitalisation Issue (and taking no account of any Shares which may be allotted and issued pursuant to the Share Option Scheme or the exercise of the Over-allotment Option), the interests and short positions of the Directors in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) once the Shares are listed, or which will be required, pursuant to section 352 of the SFO to be entered in the register referred to therein, or which will be required to notify the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules once the Shares are listed, will be as follows:

Name of Director	**The Company/ name of associated corporation**	**Capacity**	**Number of securities or underlying shares** *(Note 1)*	**Percentage of shareholding**
Mr. Chen	The Company	Interest of a controlled corporation *(Note 2)*	700,000,000 (L)	70%

Notes:

1. The letter "L" denotes the Director's long position in the Shares.

2. These Shares are held by Bournam which is solely and beneficially owned by Mr. Chen.

12. Interest discloseable under the SFO and substantial Shareholders

So far as the Directors are aware, immediately following the completion of the Global Offering and the Capitalisation Issue (but without taking account of any Shares which may be taken up under the Global Offering and any Shares which may be allotted and issued upon the exercise of the Over-allotment Option), the following persons (other than the Directors or chief executive officer of the Company) will have an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who will be expected, directly or indirectly, to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group.

Name	Nature of interest	Number of Shares *(Note 1)*	Percentage of shareholding
Bournam	Beneficial owner *(Note 2)*	700,000,000 (L)	70%
Su Xing Fang	Interest of sponse *(Note 3)*	700,000,000 (L)	70%

Notes:

1. The letter "L" denotes the entity's long position in the Shares.

2. The entire issued share capital of Bournam is solely and beneficially owned by Mr. Chen. Mr. Chen is deemed under the SFO to be interested in 700,000,000 Shares in issue on the Listing Date, which are subject to any borrowing arrangement which may be effected by the Stock Borrowing Agreement.

3. Madam Su Xing Fang, the spouse of Mr. Chen, is also deemed to be interested in such 700,000,000 Shares in which Mr. Chen is deemed to be interested.

13. Connected transactions and related party transactions

Save as disclosed in this prospectus and in note 34 of the accountants' reports of the Company set out in Appendix I to this prospectus, during the two years immediately preceding the date of this prospectus, the Group has not engaged in any other material connected transactions or related party transactions.

14. Disclaimers

Save as disclosed in this prospectus:

(i) and taking no account of any Shares which may be taken up or acquired under the Global Offering or upon the exercise of the Over-allotment Option or the options granted or which may be granted under the Share Option Scheme, the Directors are not aware of any person who will, immediately following the completion of the Global Offering and the Capitalisation Issue, have an interest or a short position in Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group;

(ii) none of the Directors has for the purpose of Divisions 7 and 8 of Part XV of the SFO or the Listing Rules, nor is any of them taken to or deemed to have under such provisions of the SFO, any interests or short position in the Shares or underlying Shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) or any interests which will have to be entered in the register to be kept by the Company pursuant to section 352 of the SFO or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules once the Shares are listed on the Main Board;

(iii) none of the Directors nor the experts named in paragraph 22 of this Appendix has been interested in the promotion of, or has any direct or indirect interest in any assets acquired or disposed of by or leased to, any member of the Group within the two years immediately preceding the date of this prospectus, or which are proposed to be acquired or disposed of by or leased to any member of the Group nor will any Director apply for Shares either in his own name or in the name of a nominee;

(iv) none of the Directors nor the experts named in paragraph 22 of this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of the Group taken as a whole; and

(v) none of the experts named in paragraph 22 of this Appendix has any shareholding in any member in the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member in the Group.

OTHER INFORMATION

15. Share Option Scheme

(a) Summary of terms

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by a resolution in writing passed by the sole Shareholder on 23 January 2010:

(i) Purposes of the scheme

The purpose of the Share Option Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group. The Directors consider the Share Option Scheme, with its broadened basis of participation, will enable the Group to reward the employees, the Directors and other selected participants for their contributions to the Group. Given that the Directors are entitled to determine any performance targets to be achieved as well as the minimum period that an option must be held before an option can be exercised on a case-by-case basis, and that the exercise price of an option cannot in any event fall below the price stipulated in the Listing Rules or such higher price as may be fixed by the Directors, it is expected that grantees of an option will make an effort to contribute to the development of the Group so as to bring about an increased market price of the Shares in order to capitalise on the benefits of the options granted.

(ii) Who may join

The Directors (which expression shall, for the purpose of this paragraph 15, include a duly authorised committee thereof) may, at its absolute discretion, invite any person belonging to any of the following classes of participants, to take up options to subscribe for Shares:

(aa) any employee (whether full-time or part-time, including any executive director but excluding any non-executive director) of the Company, any of its subsidiaries or any entity ("**Invested Entity**") in which the Group holds an equity interest ("**Eligible Employee**");

(bb) any non-executive directors (including independent non-executive directors) of the Company, any of its subsidiaries or any Invested Entity;

(cc) any supplier of goods or services to any member of the Group or any Invested Entity;

(dd) any customer of the Group or any Invested Entity;

(ee) any person or entity that provides research, development or other technological support to the Group or any Invested Entity;

(ff) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;

(gg) any adviser (professional or otherwise) or consultant to any area of business or business development of the Group or any Invested Entity; and

(hh) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement and growth of the Group,

and, for the purposes of the Share Option Scheme, the options may be granted to any company wholly owned by one or more persons belonging to any of the above classes of participants. For avoidance of doubt, the grant of any options by the Company for the subscription of Shares or other securities of the Group to any person who falls within any of the above classes of participants shall not, by itself, unless the Directors otherwise determined, be construed as a grant of option under the Share Option Scheme.

The eligibility of any of the above class of participants to the grant of any option shall be determined by the Directors from time to time on the basis of the Directors' option as to his contribution to the development and growth of the Group.

(iii) Maximum number of Shares

(aa) The maximum number of Shares which may be allotted and issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Group shall not exceed 30% of the issued share capital of the Company from time to time.

(bb) The total number of Shares which may be issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of the Group) to be granted under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the Shares in issue on the day on which trading of the Shares commence on the Main Board (i.e. not exceeding 100,000,000 Shares) (the "**General Scheme Limit**").

(cc) Subject to (aa) above but without prejudice to (dd) below, the Company may issue a circular to its Shareholders and seek approval of its Shareholders in general meeting to refresh the General Scheme Limit provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share options scheme of the Group shall not exceed 10% of the Shares in issue as at the date of approval of the limit and for the purpose of calculating the limit, options (including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option scheme of the Group) previously granted under the Share Option Scheme and any other share option scheme of the Group will not be counted. The circular sent by the Company to its Shareholders shall contain, among other information, the information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules.

(dd) Subject to (aa) above and without prejudice to (cc) above, the Company may seek separate Shareholders' approval in general meeting to grant options beyond the General Scheme Limit or, if applicable, the refreshed limit referred to in (cc) above to participants specifically identified by the Company before such approval is sought. In such event, the Company must send a circular to its Shareholders containing a general description of the specified participants, the number and terms of options to be granted, the purpose of granting options to the specified participants with an explanation as to how the terms of the options serve such purpose and such other information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules.

(iv) Maximum entitlement of each participant

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being ("Individual Limit"). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant shall be subject to the issue of a circular to the Shareholders and the Shareholders' approval in general meeting of the Company with such participant and his associates abstaining from voting. The number and terms (including the exercise price) of options to be granted to such participant must be fixed before Shareholders' approval and the date of board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under note (1) to Rule 17.03(9) of the Listing Rules.

(v) Grant of options to connected persons

(aa) Any grant of options under the Share Option Scheme to a director, chief executive or substantial shareholder of the Company or any of their respective associates (as defined under the Listing Rules) must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options).

(bb) Where any grant of options to a substantial Shareholder of the Company or an independent non-executive Director or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(i) representing in aggregate over 0.1% of the Shares in issue; and

(ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK$5 million;

such further grant of options must be approved by Shareholders of the Company in general meeting. The Company must send a circular to the Shareholders. All connected persons of the Company must abstain from voting at such general meeting, except that any connected person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular. Any change in the terms of options granted to a substantial shareholder or an independent non-executive director of the Company or any of their respective associates must be approved by the Shareholders of the Company in general meeting.

(vi) Time of acceptance and exercise of option

An option may be accepted by a participant within 21 days from the date of the offer of grant of the option.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence on a day after the date upon which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof. Unless otherwise determined by the Directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

(vii) Performance targets

Unless the Directors otherwise determined and stated in the offer of the grant of options to a grantee, a grantee is not required to achieve any performance targets before any options granted under the Share Option Scheme can be exercised.

(viii) Subscription price for Shares and consideration for the option

The subscription price per Share under the Share Option Scheme will be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a Business Day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of a Share.

A nominal consideration of HK$1 is payable on acceptance of the grant of an option.

(ix) Ranking of Shares

(aa) Shares allotted upon the exercise of an option will be subject to all the provisions of the Articles of Association of the Company and will rank pari passu in all respects with the fully paid Shares in issue on the date on which the option is duly exercised or, if that date falls on a day when the register of members of the Company is closed, the first day of the re-opening of the register of members (the "**Exercise Date**") and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the Exercise Date. A Share allotted upon the exercise of an option shall not carry voting rights until the completion of the registration of the grantee on the register of members of the Company as the holder thereof.

(bb) Unless the context otherwise requires, references to "Shares" in this paragraph include references to shares in the ordinary equity share capital of the Company of such nominal amount as shall result from a subdivision, consolidation, re-classification or reduction of the share capital of the Company from time to time.

(x) Restrictions on the time of grant of options

No offer for grant of options shall be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been announced in accordance with the requirements of the Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of (aa) the date of the meeting of the Directors for the approval of the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (bb) the last date on which the Company must publish an announcement of its results for any year or half-year (under the Listing Rules), or quarterly or any other interim period (whether or not required under the Listing Rules) and ending on the date of the announcement of the results, no option may be granted.

The Directors may not grant any option to a participant who is a Director during the periods or times in which Directors are prohibited from dealing in shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by the Company.

(xi) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted.

(xii) Rights on ceasing employment

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee for any reason other than death, ill-health or retirement in accordance with his contract of employment or for serious misconduct or other grounds referred to in sub-paragraph (xiv) below before exercising his option in full, the option (to the extent not already exercised) will lapse on the date of cessation and will not be exercisable unless the Directors otherwise determine in which event the grantee may exercise the option (to the extent not already exercised) in whole or in part within such period as the Directors may determine following the date of such cessation, which will be taken to be the last day on which the grantee was at work with the Group or the Invested Entity whether salary is paid in lieu of notice or not.

Eligible Employee means any employee (whether full time or part time employee, including any executive director but not any non-executive director) of the Company, any of its subsidiaries or any Invested Entity.

(xiii) Rights on death, ill-health or retirement

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason of his death, ill-health or retirement in accordance with his contract of employment before exercising the option in full, his personal representative(s), or, as appropriate, the grantee may exercise the option (to the extent not already exercised) in whole or in part within a period of 12 months following the date of cessation which date shall be the last day on which the grantee was at work with the Group or the Invested Entity whether salary is paid in lieu of notice or not or such longer period as the Directors may determine.

(xiv) Rights on dismissal

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason that he has been guilty of serious misconduct or has committed any act of bankruptcy or has become insolvent or has made any arrangements or composition with his creditors generally, or has been convicted of any criminal offence (other than an offence which in the opinion of the Directors does not bring the grantee or the Group or the Invested Entity into disrepute), his option will lapse automatically and will not in any event be exercisable on or after the date of cessation to be an Eligible Employee.

(xv) Rights on breach of contract

If the Directors shall at their absolute discretion determine that (aa) (1) the grantee of any option (other than an Eligible Employee) or his associate has committed any breach of any contract entered into between the grantee or his associate on the one part and the Group or any Invested Entity on the other part; or (2) that the grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally; or (3) the grantee could no longer make any contribution to the growth and development of the Group by reason of the cessation of its relations with the Group or by other reason whatsoever; and (bb) the option granted to the grantee under the Share Option scheme shall lapse, his option will lapse automatically and will not in any event be exercisable on or after the date on which the Directors have so determined.

(xvi) Rights on a general offer, a compromise or arrangement

If a general or partial offer, whether by way of take-over offer, share re-purchase offer, or scheme of arrangement or otherwise in like manner is made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, the Company shall use all reasonable endeavours to procure that such offer is extended to all the grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the options granted to them, shareholders of the Company. If such offer becomes or is declared unconditional, a grantee shall be entitled to exercise his option (to the extent not already exercised) to its full extent or to the extent specified in the grantee's notice to the Company in exercise of his option at any time before the close of such offer (or any revised offer) or the record date for entitlements under such scheme of arrangement, as the case may be. Subject to the above, an option will lapse automatically (to the extent not exercised) on the date on which such offer (or, as the case may be, revised offer) closes.

(xvii) Rights on winding up

In the event of a resolution being proposed for the voluntary winding-up of the Company during the option period, the grantee may, subject to the provisions of all applicable laws, by notice in writing to the Company at any time not less than two Business Days before the date on which such resolution is to be considered and/or passed, exercise his option (to the extent not already exercised) either to its full extent or to the extent specified in such notice in accordance with the provisions of the Share Option Scheme and the Company shall allot and issue to the grantee the Shares in respect of which such grantee has exercised his option not less than one Business Day before the date on which such resolution is to be considered and/or passed whereupon the grantee shall accordingly be entitled, in respect of the Shares allotted and issued to him in the aforesaid manner, to participate in the distribution of the assets of the Company available in liquidation pari passu with the holders of the Shares in issue on the day prior to the date of such resolution. Subject thereto, all options then outstanding shall lapse and determine on the commencement of the winding-up of the Company.

(xviii) Grantee being a company wholly owned by eligible participants

If the grantee is a company wholly owned by one or more eligible participants:

(i) sub-paragraphs (xii), (xiii), (xiv) and (xv) shall apply to the grantee and to the options to such grantee, mutatis mutandis, as if such options had been granted to the relevant eligible participant, and such options shall accordingly lapse or fall to be exercisable after the event(s) referred to in sub-paragraphs (xii), (xiii), (xiv) and (xv) shall occur with respect to the relevant eligible participant; and

(ii) the options granted to the grantee shall lapse and determine on the date the grantee ceases to be wholly owned by the relevant eligible participant provided that the Directors may in their absolute discretion decide that such options or any part thereof shall not so lapse or determine subject to such conditions or limitations as they may impose.

(xix) Adjustments to the subscription price

In the event of a capitalisation issue, rights issue, subdivision or consolidation of Shares or reduction of capital of the Company whilst an option remains exercisable, such corresponding alterations (if any) certified by the auditors for the time being of or an independent financial adviser to the Company as fair and reasonable will be made to the number or nominal amount of Shares, the subject matter of the Share Option Scheme and the option so far as unexercised and/or the option price of the option concerned, provided that (i) any adjustments shall give a grantee the same proportion of the issued share capital to which he was entitled prior to such alteration; (ii) the issue of Shares or other securities of the Group as consideration in a transaction may not be regarded as a circumstance requiring adjustment; and (iii) no alteration shall be made the effect of which would be to enable a Share to be issued at less than its nominal value. In addition, in respect of any such adjustments, other than any made on a capitalisation issue, such auditors or independent financial adviser must confirm to the Directors in writing that the adjustments satisfy the requirements of the relevant provision of the Listing Rules.

(xx) Cancellation of options

Any cancellation of options granted but not exercised must be subject to the consent of the relevant grantee and the approval of the Directors.

When the Company cancels any option granted to a grantee but not exercised and issues new option(s) to the same grantee, the issue of such new option(s) may only be made with available unissued options (excluding the options so cancelled) within the General Scheme Limit or the new limits approved by the Shareholders pursuant to sub-paragraphs (iii) (cc) and (dd) above.

(xxi) Termination of the Share Option Scheme

The Company may by resolution in general meeting at any time terminate the Share Option Scheme and in such event no further options shall be offered but in all other respects the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options (to the extent not already exercised) granted prior to the termination or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(xxii) Rights are personal to the grantee

An option is personal to the grantee and shall not be transferable or assignable.

(xxiii) Lapse of option

An option shall lapse automatically (to the extent not already exercised) on the earliest of:

(aa) the expiry of the period referred to in paragraph (vi);

(bb) the expiry of the periods or dates referred to in paragraph (xii), (xiii), (xiv), (xv), (xvii) and (xviii);

(cc) the date on which the Directors shall exercise the Company's right to cancel the option by reason of a breach of paragraph (xxii) by the grantee in respect of that or any other options.

(xxiv) Others

(aa) The Share Option Scheme is conditional on the Listing Committee of the Stock Exchange granting the listing of and permission to deal in, such number of Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, such number being not less than that of the General Scheme Limit.

(bb) The terms and conditions of the Share Option Scheme relating to the matters set out in Rule 17.03 of the Listing Rules shall not be altered to the advantage of grantees of the options except with the approval of the Shareholders in general meeting.

(cc) Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted must be approved by the Shareholders of the Company in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme.

(dd) The amended terms of the Share Option Scheme or the options shall comply with the relevant requirements of Chapter 17 of the Listing Rules.

(ee) Any change to the authority of the Directors or the scheme administrators in relation to any alteration to the terms of the Share Option Scheme shall be approved by the Shareholders of the Company in general meeting.

(b) Present status of the Share Option Scheme

(i) Approval of the Listing Committee required

The Share Option Scheme is conditional on the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, such number of Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, such number being not less than that of the General Scheme Limit.

(ii) Application for approval

Application has been made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Shares to be issued within the General Scheme Limit pursuant to the exercise of any options which may be granted under the Share Option Scheme.

(iii) Grant of option

As at the date of this prospectus, no options have been granted or agreed to be granted under the Share Option Scheme.

(iv) Value of options

The Directors consider it inappropriate to disclose the value of options which may be granted under the Share Option Scheme as if they had been granted as at the Latest Practicable Date. Any such valuation will have to be made on the basis of certain option pricing model or other methodology, which depends on various assumptions including, the exercise price, the exercise period, interest rate, expected volatility and other variables. As no options have been granted, certain variables are not available for calculating the value of options. The Directors believe that any calculation of the value of options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to investors.

16. Estate duty, tax and other indemnities

Each of Mr. Chen and Bournam (collectively the "**Indemnifiers**") has entered into a deed of indemnity with and in favour of the Company (for itself and as trustee for each of its present subsidiaries) (being the material contract referred to in paragraph 8(d) of this Appendix) and all its present subsidiaries to provide indemnities on a joint and several basis in respect of, among other matters, any liability for Hong Kong estate duty which might be incurred by any member of the Group and/or its associated companies by reason of any transfer of property (within the meaning of section 35 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong)) to any member of the Group on or before the date on which the Global Offering becomes unconditional. The Indemnifiers have provided further indemnities in favour of our Group, on and subject to the terms and conditions of such deed of indemnity in connection with (i) any failure to obtain relevant building ownership certificates of certain buildings and structures which we own and occupy; and (ii) the retrospective obtaining of the relevant environmental approval only after certain production lines of our Group having commenced production, details of which are set out in the section headed "Business – Property" and "Business – Environmental Protection" respectively in this prospectus.

Under the deed of indemnity, the Indemnifiers have also given indemnities to the Group on a joint and several basis in relation to taxation which might be payable by any member of the Group in respect of any income, profits or gains earned, accrued or received on or before the date on which the Global Offering becomes unconditional.

The Directors have been advised that no material liability for estate duty is likely to fall on the Company or any of its subsidiaries in the Cayman Islands, BVI and the PRC.

The deed of indemnity does not cover any claim and the Indemnifiers shall be under no liability under the deed of indemnity in respect of any taxation:

(a) to the extent that provision has been made for such taxation in the audited accounts of the Company or any of its subsidiaries up to 31 August 2009; or

(b) to the extent that such taxation or liability for such taxation falling on any member of the Group in respect of their accounting period commencing on or after 1 September 2009 and ending on the Listing Date, where such taxation or liability would not have arisen but for some act or omission of, or transaction voluntarily effected, by any member of the Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) without the prior written consent or agreement of the Indemnifiers other than any such act, omission or transaction:

(i) carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets after 1 September 2009; or

(ii) carried out, made or entered into pursuant to a legally binding commitment created on or before 31 August 2009 or pursuant to any statement of intention made in the prospectus; or

(c) to the extent that such claim arises or is incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law or the interpretation or practice thereof by the Hong Kong Inland Revenue Department or any other relevant authority coming into force after the date of the deed of indemnity or to the extent such claim arises or is increased by an increase in rates of taxation after the date of the deed of indemnity with retrospective effect; or

(d) to the extent that any provision or reserve made for taxation in the audited accounts of any member of the Group up to 31 August 2009 and which is finally established to be an over-provision or an excessive reserve in which case the Indemnifiers' liability (if any) in respect of such taxation shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied referred to in this item (d) to reduce the Indemnifiers' liability in respect of taxation shall not be available in respect of any such liability arising thereafter.

17. The SFC has granted a certificate of exemption from strict compliance with the requirements in paragraphs 27 and 31 of the Third Schedule to the Companies Ordinance. The Stock Exchange has also granted to the Company waivers from strict compliance with (a) Rule 4.04(1) of the Listing Rules in relation to the disclosure of financial information of the Group for each of the three financial years immediately preceding the issue of this prospectus on the conditions that (i) the Listing Date shall not be later than three months after the latest financial year-end of the Company, i.e. by 31 March 2010; (ii) Rule 8.06 of the Listing Rules is to be complied with, in that the latest financial period reported on by the reporting accountants of the Company as set out in the accountants' report in Appendix I to this prospectus shall not end more than six months before the date of this prospectus; and (iii) the grant of a certificate of exemption from similar requirements under paragraphs 27 and 31 of the Third Schedule to the Companies Ordinance by the SFC (which certificate has already been granted as at the Latest Practicable Date); (b) Rule 8.12 in respect of management presence in Hong Kong; and (c) the announcement requirement under Chapter 14A of the Listing Rules in respect of the transactions under the GZFLD Master Agreement and under the GZMT Master Agreement pursuant to Rule 14A.42(3) of the Listing Rules for the period up to the year ending 31 December 2012. Details of such waivers given by the Stock Exchange and the exemption given by the SFC (on the conditions that (i) particulars of the exemption be set forth in this prospectus; and (ii) this prospectus is issued on or before 28 January 2010) are set out in the section headed "Waivers from strict compliance with the Listing Rules and exemption from the Companies Ordinance" and the section headed "Connected transactions" of this prospectus.

18. Litigation

Neither the Company nor any of its subsidiaries is engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries, that would have a material adverse effect on the results of operations or financial condition of the Group.

19. Joint Sponsors

The Joint Sponsors have made an application for and on behalf of the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and any Shares that may be issued upon the exercise of the Over-allotment Option or any Shares to be issued within the General Scheme Limit pursuant to the exercise of any options which may be granted under the Share Option Scheme on the Main Board. The Joint Sponsors are independent of the Company in accordance with Rule 3A.07 of the Listing Rules.

20. Preliminary expenses

The estimated preliminary expenses of the Company are approximately US$3,650 and are payable by the Company.

21. Promoter

The promoter of the Company is Mr. Chen. Save as disclosed herein, within the two years immediately preceding the date of this prospectus, no cash, securities, amount or other benefit has been paid, allotted or given to any promoter in connection with the Global Offering of the related transactions described in this prospectus.

22. Qualifications of experts

The qualifications of the experts who have given opinions or advices in this prospectus are as follows:

Name	Qualification
ICBCI	A corporation licensed under the SFO permitted to carry on Types 1 (dealing in securities) and Type 6 (advising on corporate finance) of the regulated activities (as defined in the SFO)
Access Capital	A corporation licensed under the SFO permitted to carry on Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) of the regulated activities under the SFO
Conyers Dill & Pearman	Cayman Islands barristers and attorneys
Ernst & Young	Certified Public Accountants
Jingtian & Gongcheng	Legal advisors to the Company as to PRC law
LCH (Asia-Pacific) Surveyors Limited	Professional Surveyor and independent assessor of the production capacity and utilisation rate of the production lines of our Group

23. Consents of experts

Each of ICBCI, Access Capital, Conyers Dill & Pearman, Ernst & Young, Jingtian & Gongcheng and LCH (Asia-Pacific) Surveyors Limited has given and has not withdrawn its written consents to the issue of this prospectus with copies of their reports, letters, valuation, opinions or summaries of opinions (as the case may be) and the references to its names or summaries of opinions included herein in the form and context in which they respectively appear.

24. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

25. Taxation of holders of Shares

Dealings in Shares registered on the Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. Intending holders of Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in Shares. It is emphasised that none of the Company, the Directors or the other parties involved in the Global Offering can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares.

Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

The sale, purchase and transfer of Shares are subject to Hong Kong stamp duty, the current rate of which is 0.2% of the consideration or, if higher, the value of the Shares being sold or transferred.

Under present Cayman Islands law, transfers and other dispositions of Shares are exempt from Cayman Islands stamp duty.

26. Miscellaneous

(a) Save as disclosed herein:

(i) within two years immediately preceding the date of this prospectus:

(aa) no share or loan capital of the Company or of any of its subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;

(bb) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of the Company or any of its subsidiaries;

(cc) no commission has been paid or payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure the subscriptions, for any Share in the Company or any of its subsidiaries; and

(dd) no amount or benefit has been paid or given or intended to be paid or given to the promoter of the Company;

(ii) no share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) there has been no material adverse change in the financial position or prospects of the Group since 31 August 2009 (being the date to which the latest audited combined financial statements of the Group were made up); and

(iv) there has not been any interruption in the business of the Group which may have or has had a material adverse effect on the financial position of the Group.

(b) Subject to the provisions of the Companies Law, the register of members of the Company will be maintained in the Cayman Islands by Butterfield Fulcrum Group (Cayman) Limited and a branch register of members of the Company will be maintained in Hong Kong by Tricor Investor Services Limited. Unless the Directors otherwise agree, all transfers and other documents of title of Shares must be lodged for registration with and registered by, the Company's branch share registrar in Hong Kong and may not be lodged in the Cayman Islands.

(c) All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

27. Bilingual prospectus

The English language and Chinese language version of this prospectus are being published separately, in reliance upon the exemption provided under section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

28. Particulars of the Selling Shareholder

The Selling Shareholder of the Sale Shares is Bournam, a company incorporated under the laws of BVI with limited liability on 11 June 1997, whose registered office is at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands. Mr. Chen is the sole registered holder and beneficial owner of the entire issued share capital in Bournam as well as its sole director.

Save as disclosed herein, none of the Directors is interested in the Sale Shares.

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were copies of the **WHITE** and **YELLOW** Application Forms, the written consents referred to in sub-paragraph 23 headed "Consents of experts" in Appendix VI to this prospectus, a statement of particulars of the Selling Shareholder and copies of the material contracts referred to in sub-paragraph 8 headed "Summary of material contracts" in Appendix VI to this prospectus.

Copies of the following documents will be available for inspection at the office of Chiu & Partners at 41st Floor, Jardine House, 1 Connaught Place, Central, Hong Kong during normal business hours up to and including 10 February 2010:

(a) the memorandum of association of the Company and the Articles of Association;

(b) the accountants' report prepared by Ernst & Young, the text of which is set out in Appendix I to this prospectus;

(c) the letter prepared by Ernst & Young on the unaudited pro forma financial information of the Group, the text of which is set out in Appendix II to this prospectus;

(d) the letters from Ernst & Young and the Joint Sponsors in relation to the estimate of the profit attributable to equity holders of the Company for the financial year ended 31 December 2009, the texts of which are set out in Appendix III to this prospectus;

(e) the letter, summary of values and valuation certificate relating to the property interests of the Group prepared by LCH (Asia-Pacific) Surveyors Limited, the texts of which are set out in Appendix IV to this prospectus;

(f) the assessment report relating to an assessment of the production capacity and utilisation rate of the production lines of the Group prepared by LCH (Asia-Pacific) Surveyors Limited, the content of which is extracted in relevant sections in this prospectus;

(g) the letter of advice prepared by Conyers Dill & Pearman referred to in Appendix V to this prospectus, summarising certain aspects of the Cayman Islands company law;

(h) the material contracts referred to in sub-paragraph 8 headed "Summary of material contracts" under the paragraph headed "Further information about the business of the Group" in Appendix VI to this prospectus;

(i) the service contracts with Directors, referred to in sub-paragraph 11(b) headed "Particulars of service contracts" under paragraph headed "Further information about Directors, management and staff and experts" in Appendix VI to this prospectus;

(j) the written consents referred to in sub-paragraph 23 headed "Consents of experts" under the paragraph headed "Other information" in Appendix VI to this prospectus;

(k) the legal opinions prepared by Jingtian & Gongcheng in respect of certain aspects of our Group and the property interests of our Group in the PRC;

(l) the legal opinion prepared by independent legal advisers to the Company in relation to the effect (if any) of those antidumping and countervailing duty cases targeting tubular steel products initiated by the United States and EU on the Group's principal business during the Track Record Period and up to 31 December 2009;

(m) the statement of particulars of the Selling Shareholder including its name, address and description;

(n) the rules of the Share Option Scheme; and

(o) the Companies Law.

Chu Kong Petroleum and Natural Gas Steel Pipe Holdings Limited
珠江石油天然氣鋼管控股有限公司