Potential investors should consider carefully all the information set out in this prospectus and, in particular, should evaluate the following risks associated with an investment in our Company before making any investment decision regarding our Company. You should pay particular attention to the fact that our Company is incorporated in the Cayman Islands and all of our operations are conducted in the PRC and are governed by a legal and regulatory environment which in some respects may differ from that in Hong Kong. Any of the risks and uncertainties described below could have a material adverse effect on our business, results of operations, financial condition or on the trading price of our Shares, and could cause you to lose all or part of your investment.

RISKS RELATING TO OUR GROUP

Risks associated with customers

(a) Our business and prospects depend heavily on the performance of the steel industry in China

We are primarily engaged in the manufacturing of advanced steel flow control products used by steel manufacturing companies for protection, control and regulation of the molten steel flow. During the Track Record Period, all of our customers are steel manufacturing companies in the PRC.

Our business and prospects depend heavily on the performance of the steel industry in China, as well as industries that consume steel in China, including construction and manufacture of heavy machineries and equipment, aircraft, ships and automobiles. A significant slowdown or downturn of any of these industries or a change of production plans and decline in level of capital spending in any of them, in particular the steel industry, could significantly reduce demand for our advanced steel flow control products, which could depress prices for our products and sales volume and adversely affect our performance and profitability. In addition to the potential impact of these developments on our financial condition and results of operations, they may also affect our expansion plans and adversely affect our ability to make acquisitions.

(b) Our business currently relies on members of certain major steel manufacturing groups in the PRC

During the Track Record Period, our revenue was derived entirely from steel manufacturing companies in the PRC. For each of the three years ended 31 December 2009, our five largest customers accounted for approximately 95.5%, 74.2% and 48.0% of our total sales respectively. Sales to our largest customer, Baosteel Group, accounted for approximately 36.4%, 16.8% and 12.3% of our total sales respectively. If one or more major customers were to cease to conduct business with us or we were unable to expand our business with existing customers or attract new customers, our business, financial condition and results of operations would be materially and adversely affected.

(c) We do not have long term sales contracts with our customers, but we generally enter into one-year framework contracts with them

We do not have long term sales contracts with any of our customers but we generally enter into one-year framework contracts with them. Our business with our customers has been, and we expect it will continue to be, conducted on the basis of actual purchase orders received from our customers on a monthly basis based on the framework contract with such customers.

We cannot guarantee that our major customers will continue to do business with us at the same or increased levels or at all. If one or more major customers were to cease to conduct business with us and we were unable to expand our business with existing customers or attract new customers, our business, financial condition and results of operations would be materially and adversely affected. A decision made by a major customer, whether motivated by competitive considerations, economic conditions or otherwise, to reduce its purchases from us or any other adverse change in our business relationship with our customer could also have a material adverse effect on our business, financial condition and results of operations.

(d) We may face difficulties in sourcing and developing new customers

Our total number of customers amounted to 7, 11, 18 and 20 for the three years ended 31 December 2009 and as at the Latest Practicable Date, respectively.

Our products are specifically designed for use by each customer and every of them has its own supplier selection process which typically includes mould designing, manufacturing and trial. During the Track Record Period, it took us, on average, one to three months from identifying a potential client to becoming one of its qualified suppliers. However, there is no assurance that we will be successfully selected as a qualified supplier by the potential customers that we approach in the future; and we also cannot guarantee that they will make any order for purchase of our products even if we are their qualified supplier.

If we are unable to extend our customer base by adding new customers at desired levels or at all, it could have a material adverse effect on our business, financial condition and results of operations.

Our short operating history and rapid growth may make it difficult for investors to evaluate our business and growth

We commenced our business operations in 2007 and have since experienced rapid growth. Our revenue and net profit increased from approximately RMB40.0 million and RMB13.4 million in 2007 to approximately RMB156.9 million and RMB70.1 million respectively in 2009, representing a CAGR of approximately 98.1% and 128.7% respectively. Due to our limited operating history, there may not be an adequate basis on which to evaluate our future operating results and prospects based on our short historical financial performance. Moreover, the rate of our future growth may not continue at the same level as the growth we have experienced in the past. As our past results may not be indicative of our results in the future, investors may have difficulties evaluating our business and prospects.

We had net current liabilities as at 31 December 2007

Our Group recorded net current liabilities as at 31 December 2007 which amounted to approximately RMB12.5 million, with amount due to a director of approximately RMB10.0 million, amounts due to related companies of approximately RMB7.2 million and secured one-year bank borrowings of approximately RMB9.0 million, part of which was used to finance the construction of our plant and our purchases of fixed assets.

Our business, financial position and development plans may be adversely affected if our Group does not generate sufficient cash in-flow from operations to meet our financial obligations. As the operations of our Group expand, more cash is expected to be required to fund our operation. Hence, our Group may need to raise funds through debt or other forms of financing to finance its operations and/or to refinance our debts. The finance costs may as a result increase significantly and affect our profitability. If our Group is unable to repay our loans when they fall due, the relevant creditor may take action to enforce the loans which would adversely affect the operations and operating results of the Group.

If our Group fails to raise necessary funding by borrowings from banks to finance our business operations and capital expenditure (when required), our business and financial position may be adversely affected. The failure of our Group to generate current assets to the extent that the aggregate amount of the current assets on a particular date exceeds the aggregate current liabilities on the same day, our Group may record net current liabilities in the future.

We may not be able to maintain our profit margin in the future and the increasing trend of profit margin may attract competition

We achieved gross profit margin in an increasing trend of approximately 55.7%, 58.6% and 67.2% for each of the three years ended 31 December 2009, respectively. For the same period, our net profit was approximately RMB13.4 million, RMB25.0 million and RMB70.1 million, respectively, representing net profit margin of approximately 33.5%, 37.2% and 44.7%, respectively. There is no assurance that we will be able to maintain or improve such gross profit margins or net profit margins as in the Track Record Period and such increasing trend of profit margins may attract competition and thus may adversely affect our financial condition. It is one of our growth strategies to expand the range of our products offered to our customers and they include steel flow distributors and side dams for use in the thin strip casting process and monolithic materials which can have a variety of applications, including in steelmaking furnaces, ladles and tundishes in different steel casting processes. There is no assurance that the gross profit margins or net profit margins of these new products will be similar or higher than what we have attained with our existing products during the Track Record Period in the future subsequent to our expansion of product range.

Our business could be adversely and materially affected if we fail to adequately protect our proprietary technology and technical know-how

We rely substantially on proprietary technology, technical know-how and research data to conduct our business and to attract and retain customers. In particular, certain formulas of mixes and special designs for our products are involved in our production process. The success of our business depends on our ability to protect our technical know-how and our intellectual property portfolio, and to obtain patents without infringing the proprietary rights of others. If we do not effectively protect our technical know-how and intellectual property, our business and operating results could be adversely affected.

Reliance on key management personnel may impose risks on our Group

Our performance and success is, to a significant extent, attributable to the vision and leadership of our founders, Mr. Xu and Dr. Zhang and the contribution of our other executive Directors and senior management team. Competition for senior management and key personnel in our industry is intense and the pool of qualified candidates is limited. Hence, we may not be able to retain the services of our Directors and members of senior management or other key personnel, or attract and retain high-quality personnel in the future. If any of these persons or any other member of the senior management team leaves us, and we were not able to engage a suitable replacement on a timely basis, our business, operations and financial condition may be materially adversely affected.

Our business depends on reliable supply of quality raw materials

The principal raw materials used in our production are fused alumina, calcined alumina, calcia stablised zirconia, graphite and resin binder. We obtain these materials from both domestic and overseas suppliers.

For the three years ended 31 December 2009, purchases from our five largest suppliers represented approximately 44.6%, 42.0% and 58.0%, respectively, of our total purchases of raw materials. During the same period, purchases from our largest supplier accounted for approximately 12.1%, 12.1% and 18.6%, respectively, of our total purchases of raw materials. During the same period, our purchases of principal raw materials from overseas suppliers accounted for about 14.7%, 19.6% and 8.3% respectively, of our total purchases of raw materials.

We have not entered into long term supply agreements with all of our suppliers for our principal raw materials. If any of our major suppliers fails to meet our purchase orders on a timely basis or supply us with raw materials of the quality that we require or terminates their business relationship with us, and we are unable to source raw materials from alternative suppliers on a timely basis and acceptable terms, our business, financial condition and results of operations could be materially and adversely affected.

If we are unable to obtain sufficient quantities of our principal raw materials, we may be unable to maintain our production schedules and meet our commitments to our customers. The cost of raw materials consumed amounted to approximately RMB11.2 million, RMB19.8 million and RMB42.7 million for each of the three years ended 31 December 2009, representing approximately 63.2%, 71.3% and 82.8% of our total cost of sales. If the prices of these principal raw materials increase, and we were not able to increase the price of our products accordingly on a timely basis, our gross profit margin, result of operations and operating cash flows could be materially and adversely affected.

We require significant capital investments and a high level of working capital to sustain our operations and overall growth

We require significant capital investments to sustain our operations and pursue future expansion plans. We also depend on cash generated from our operations as well as access to external financing to operate and expand our business. Our future funding requirements will depend, to a large extent, on our working capital requirements and the nature of our capital expenditures. We need substantial capital expenditures to maintain and continuously upgrade and expand our production facilities, research and development functions, and distribution and marketing networks to keep pace with the competitive landscape, technological advances and changing requirements in our industry.

We intend to fund a portion of our future capital expenditures, working capital needs and other funding requirements from cash flows generated from our operating activities and from external sources of financing. If we are unable to generate sufficient cash flows or raise sufficient external financing on attractive terms to fund these activities, we may not be able to manage our existing operations, achieve our desired operating scale or expansion plans, which in turn may adversely impact our competitiveness and, therefore, our results of operations.

We manufacture our products in a single location, and any material disruption of our operations could adversely affect our business

Our operations are subject to uncertainties and contingencies beyond our control that could result in material disruptions in our operations and adversely affect our business. These include industrial accidents, fires, floods, droughts, storms, earthquakes, natural disasters and other catastrophes, equipment failures or other operational problems, strikes or other labour difficulties.

During the Track Record Period, all of our products were manufactured in our production facilities in Yixing, the PRC. If there is any damage to our production facilities, we may not be able to remedy such situations in a timely and proper manner, and our production could be materially and adversely affected. Any breakdown or malfunction of any of our equipment could cause a material disruption of our operations. Any such disruption in our operations could cause us to reduce or halt our production, prevent us from meeting customer orders, adversely affect our business reputation, increase our costs of production or require us to make unplanned capital expenditures, any one of which could materially and adversely affect our business, financial condition and results of operations.

Our expansion plans may not be successful

We plan to expand our production capacity by constructing a new production plant which is expected to start construction during 2011. The new production plant will house an additional production line and is expected, upon full operation, to add an additional annual production capacity of 8,600 tonnes of advanced steel flow control products. We expect to incur significant costs in connection with the expansion of our business, and any failure to successfully implement our expansion plans may materially and adversely affect our business, financial condition and results of operations.

Our production capacity might not be able to meet with growing market demand or changing market conditions

We cannot give assurance that our production capacity will be able to meet our obligations and the growing market demand for our products in the future. Furthermore, we may not be able to expand our production capacity in response to the changing market conditions. If we fail to meet demand from our customers, we may lose our market share.

We manufacture and sell only "high-end" steel flow control products

Our Group is solely engaged in the manufacture of advanced steel flow control products which are used in the continuous casting process to protect, control and regulate the molten steel flow. All of our existing products, namely Ladle Shrouds, Stoppers, Tundish Nozzles and Subentry Nozzles, are classified as "high-end" products according to the specifications of "high-end" products defined by ACRI. If we are unable to sustain or increase the sales of our "high-end" steel flow control products to our customers, our business, financial condition, and operating results would be adversely affected.

We may not be able to develop new products or expand into new markets

We intend to develop and produce monolithic materials, side dams, and steel flow distributors to be used in the thin strip casting process after the Global Offering. Monolithic materials, side dams, and steel flow distributors are new products which we have not manufactured on a commercial scale in the past and we may not be able to launch or develop such materials or products successfully.

The launch and development of new products involve considerable time and commitment which may exert a substantial strain on our ability to manage our existing business and operations. We cannot ensure our research and development capacity and capability is sufficient to develop any marketable new products or any income will be generated from such new products. If we are not able to develop and introduce new products successfully, or if our new products fail to generate sufficient revenues to offset our research and development costs, our business, financial condition and operating results could be adversely affected. Failure of such could lead to wasted resources.

An element of our strategy for growth also envisages us selling existing or new products into new markets other than the PRC market. There is no guarantee that we will be successful to execute our strategy for growth and if we should fail to execute our growth strategy successfully, it may have a material and adverse effect on our future revenue and profitability.

We may be subject to product liability claims

As at the Latest Practicable Date, as far as our Directors are aware and after making all reasonable enquiries, no legal claim was made against our Group arising from product defects and we are advised by our PRC Legal Advisers that it is not a mandatory requirement for our Group to maintain third party liability and product liability insurance under the PRC laws. Our Directors believe that, however, if the products manufactured by us contain defects which adversely affect our customers, our Group may incur additional costs in curing such defects or defending any legal proceedings or claims brought against us and may result in negative publicity. There is no assurance that there will not be any product liabilities claims against our Group in the future. If any of our customers make any claim against us due to the defects of our products, our profitability, business and reputation may be adversely affected.

We may be subject to liability in connection with industrial accidents at our production facilities

Our business involve the operation of heavy machinery that could result in industrial accidents which may cause injuries or deaths. We cannot assure you that industrial accidents, whether due to malfunctions of machinery or other reasons, will not occur in the future at our production facilities.

In such an event, we may be liable for loss of life and property, medical expenses, medical leave payments and fines and penalties for violation of applicable PRC laws and regulations. In addition, we may experience interruptions in our operations and may be required to change the manner in which we operate as a result of governmental investigations or the implementation of safety measures as a result of such industrial accidents. Any of the foregoing could adversely affect our business, financial condition and results of operations.

Lack of business insurance coverage may incur substantial costs for our Group

We can give no assurance that the present insurance coverage is sufficient to meet any claims to which we may be subject and that we will in the future be able to obtain or maintain insurance on acceptable terms or at appropriate levels or that any insurance maintained will provide adequate protection against potential liabilities. In addition, defending ourselves against such claims may strain management resources, affect our reputation and require us to spend significant sums on legal costs.

To the best knowledge of our Directors, insurance companies in the PRC offer limited business insurance products, and do not offer business liability insurance. As a result, we do not have any business liability insurance coverage for our business operations. Any business disruption, litigation or natural disaster might result in substantial costs and diversion of our resources.

We are subject to foreign exchange exposure

Our costs are denominated in, among others, RMB, USD and EUR, while our sales are mainly denominated in RMB. For the three years ended 31 December 2009, approximately 12.4%, 14.4% and 6.7% of our direct material purchases were denominated in USD respectively; and approximately 0%, 2.2% and 1.5% of our direct material purchases were denominated in EUR respectively.

As at the Latest Practicable Date, we had not engaged in exchange rate hedging activities. Any fluctuation in the RMB exchange rates may have an adverse effect on our results of operations and financial condition. In addition, any future exchange rate volatility relating to RMB may give rise to uncertainties in the value of net assets, profits and dividends. Appreciation of the value of RMB may subject us to increased competition from foreign competitors, and depreciation in the value of RMB may adversely affect the value of our net assets and earnings and dividends from our PRC subsidiaries.

The interests of our Controlling Shareholders may differ from those of our other Shareholders

Our Controlling Shareholders will control the exercise of 37.5% voting rights in the general meeting of our Company after the Global Offering (assuming that the Over-allotment Option is not exercised) and the Capitalisation Issue. The interests of our Controlling Shareholders may differ from the interests of our other Shareholders. If the interests of our Controlling Shareholders conflict with the interests of our other Shareholders, or if our Controlling Shareholders choose to cause our business to pursue strategic objectives that conflict with the interests of our other Shareholders, those Shareholders could be disadvantaged by the actions that our Controlling Shareholders choose to cause us to pursue.

Our Controlling Shareholders could have significant influence in determining the outcome of any corporate transaction or other matter submitted to our Shareholders for approval, including mergers, consolidations and the sale of all, or substantially all, of our assets, election of directors, and other significant corporate actions. Our Controlling Shareholders have no obligation to consider our interests or the interests of our other Shareholders.

RISKS RELATING TO THE INDUSTRY

Our business depends very much on the continuous casting method in the steel manufacturing industry. Industry-wide adoption of other existing or new technologies that do not require steel flow control products in the future might seriously affect our business

We are engaged in the manufacture of advanced steel flow control products which are used in the continuous casting process to protect, control and regulate the molten steel flow. In the event that other casting processing methods, instead of the continuous casting process, are adopted by steel manufacturing companies, our business, financial condition and results of operations would be adversely affected. Our advanced steel flow control products may not be applicable to such new technologies and we may not be able to develop appropriate products successfully to cater for the industry-wide adoption of other existing or new technologies which do not require our products.

We cannot assure that we will be able to renew all necessary licences, certificates, approvals and permits for our production. Changes in licensing requirements applicable to our industry may adversely affect us

As at the Latest Practicable Date, we have obtained all necessary licences, certificates, approvals and permits for the production of our existing products. There was no requirement for a particular licence, certificate, approval or permit specific for the production of steel flow control products in the PRC. The abovementioned licences, certificates, approvals and permits that were obtained refer to the government licences, approvals and permits that we have obtained from the relevant government authorities for 1) the incorporation of our subsidiary in the PRC to conduct the production of steel flow control products business and the other licences and permits, including the tax registration, that are generally required for companies to operate their businesses in the PRC; and 2) for the construction and operation of our production facility. In addition, our Group has obtained the Production Permit (全國工業產品生產許可證) from the General Administration of Quality Supervision, Inspection and Quarantine ("AQSIQ") in accordance with the Regulations on the Administration of Production Permits for Industrial Products (工業產品生產許可證管理條例) and the implementation rules promulgated by the State Council of the PRC (國務院) and AQSIQ in July and September 2005, respectively.

There is no assurance that we will be able to renew such licences, certificates, approvals and permits upon their expiration. The eligibility criteria for such licences, certificates, approvals and permits may change from time to time and may become more stringent. In addition, new requirements for licences, certificates, approvals and permits may come into effect in the future. The introduction of any new and/or more stringent laws, regulations, licenses, certificates, approvals or permits requirements relevant to our business operations and the steel flow control products industry may significantly escalate our compliance and maintenance costs or may limit our Group to continue with our existing operations or may limit or prohibit us from expanding our business. Any such event may have an adverse effect to our business, financial results and future prospects.

The PRC Government may adopt measures to slow down growth in the steel manufacturing industry and other steel consuming industries, thereby adversely affecting the demand for our products

The PRC Government has in the past adopted, and may in the future adopt from time to time, restrictive measures to curtail the growth of various industry sectors in an effort to control inflation and stabilise the value of RMB. Such measures may extend to the steel manufacturing industry and other steel consuming industries, such as construction and manufacturing of heavy equipment, automobiles, aircraft and ships. We cannot assure you that the PRC Government will not take actions in the future that would adversely affect demand and prices for our products in China. Such actions could materially and adversely affect our business, financial condition and results of operations.

On 26 September 2009, the State Council of the PRC (國務院) issued the State Council No.38 Circular. Certain major principles were put forward, including restricting additional capacity and optimising existing capacity, growing emerging industries and upgrading traditional industries and adopting market orientation and macro controls. The State Council No.38 Circular also required a restriction on the overall production capacity and constrained surplus production capacity, encouraged the development of new industries and products that are of high-technology level, high value-added, low resources consumption and low emission, enhanced merger and corporate restructuring as well as industry consolidation, expedited the retirement of technologically laggard plants, emphasised technology advancement, improved existing capacity, adjusted product mix and pursued an efficient, quality and sustainable industrial development.

The principles set out in the State Council No.38 Circular aimed at consolidating the resources of steel manufacturing companies 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. These principles required the steel manufacturing companies to refine their product structure and aimed to eliminate the outdated products and production facilities.

Measures adopted by the PRC Government from time to time to slow down the growth in the steel manufacturing industry and other steel consuming industries such as the State Council No.38 Circular, may adversely affect the demand of our products and our results of operation.

Our industry is subject to global economic and market conditions

Our business depends substantially on the global economic and market conditions, in particular China. A slowdown of China's economic growth or a recession could have a material and adverse effect on our business, financial condition and results of operations as well as affecting our expansion strategies. Periods of relatively slow economic growth, a recession or public perception that a slowdown of economic growth or recession may occur, may decrease the demand for our products, thereby adversely affecting our sales and profitability. For example, during periods of a slowdown of economic growth or recession, the construction and manufacturing industries may experience significant cutbacks in production, which could adversely affect demand for steel and, in turn, adversely affect the demand of our products which are advanced steel flow control products used by steel manufacturing companies.

We operate in a competitive industry

The steel flow control products industry in China is competitive with a number of providers throughout the country. Some products used by steel manufacturing companies in China are also imported from overseas.

During the Track Record Period, we primarily competed with international industry players in the PRC, but we may also face competition from existing manufacturers in the PRC and new entrants to the market, some of which may have a lower cost structure than ours due to lower capital expenditures. Some of our competitors may have greater financial and other resources than we do. Our products also compete with imported products. Thus, further appreciation of RMB may have the effect of lowering the cost of imported products and intensify the competition between our products and the imported products. We cannot assure you that we will be able to compete successfully in our existing markets or in the new markets where we are expanding into. Any increase in competition may adversely affect our business, financial condition and results of operations.

In addition, we compete with other existing manufacturers in terms of product quality and the ability to recruit experienced and talented employees. If we are not able to maintain our competitiveness in respect of the foregoing, our business operations, market share and financial condition may be adversely affected.

There are no assurances that the competitiveness of our competitors will not improve or that we will be successful in expanding our market share against our competitors. Our competitors may be able to respond more quickly to new or emerging technologies and changes in client requirements and/or demands. Existing and/or increased competition could adversely affect our market share and materially affect our business, financial condition and operating results. If competitive pressure should intensify, it may force us to reduce the price of our products, which could adversely affect our business, financial condition and operating results.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

Political and economic policies of the PRC government and social conditions and legal developments of the PRC could affect our business

Our results, financial condition and prospects are to a significant degree subject to the economic, political and legal developments of the PRC, as all of our assets are located in the PRC and all of our revenue is derived from operations that take place in the PRC. The economic, political and social conditions, as well as government policies, including taxation policies, of the PRC, could affect our business. The PRC economy differs from the economies of other countries in many respects. The PRC economy has historically been a planned economy and has been in a transitional stage to a more market-driven economy. Although the PRC government has implemented measures emphasising the use of market forces for economic reform in recent years, there can be no assurance that economic, political or legal systems of the PRC will not develop in a way that is detrimental to our business, results of operations and prospects.

The government control of currency conversion could affect our business operations

During the Track Record Period, all of our revenue was received in RMB. At present, RMB is not freely convertible to other currencies. Under the current foreign exchange regulations, RMB is convertible without approvals from SAFE only with regard to current account transactions, including trade and service related foreign exchange transactions and payment of dividends to foreign investors, while the foreign exchange transactions in respect of capital account items including the foreign currency capital in any foreign investment enterprise in the PRC, the repayment of foreign currency loans and the payment pursuant to foreign currency guarantees, continue to be subject to significant foreign exchange controls and require the prior approval of the SAFE. There can be no assurance that the PRC government will not impose more stringent restrictions on the convertibility of RMB, especially relating to foreign exchange transactions.

Uncertainties regarding interpretation and enforcement of the PRC laws and regulations may impose adverse impact on our business, operations and profitability

Although many laws and regulations have been promulgated and amended in the PRC since 1978, the PRC legal system is still not sufficiently comprehensive when compared to the legal systems of certain developed countries. The interpretation of the PRC laws and regulations may be influenced by momentary policy changes reflecting domestic political and social changes. In addition, it may also be difficult to enforce judgments and arbitration awards in the PRC.

Many laws and regulations in the PRC are promulgated in broad principles and the PRC government has gradually laid down implementation rules and has continued to refine and modify such laws and regulations. As the PRC legal system develops, the promulgation of new laws or refinement and modification of existing laws may affect foreign investors. There can be no assurance that future changes in legislation or the interpretation thereof will not have an adverse effect upon our business, operations or profitability.

The implementation of the new labour contract law and increase in labour costs in the PRC may adversely affect our business and financial conditions

A new labour contract law became effective on 1 January 2008 in the PRC. It imposes more stringent requirements on employers in relation to entry into fixed term employment contracts and dismissal of employees. In addition, under the newly promulgated "Regulations on Paid Annual Leave for Employees" (職工帶薪年休假條例), which became effective on 1 January 2008, employees who have worked continuously for more than one year are entitled to a paid vacation ranging from 5 to 15 days, depending on the length of the employees' work time. Employees who consent to waive such vacation at the request of employers shall be compensated an amount equal to three times their normal daily salaries for each vacation day being waived. As a result of the new law and regulations, our labour costs may increase. It cannot be assured that any disputes, work stoppages or strikes will not arise in the future. Increases in our labour costs and future disputes with our employees could adversely affect our business, financial condition or results of operations.

Under the Enterprise Income Tax Law (中華人民共和國企業所得稅法) (the "New Tax Law") and the related implementation regulations, which became effective on 1 January 2008, dividends from our subsidiary in the PRC may be subject to withholding tax or we may be subject to the PRC tax on our worldwide income

Under the PRC tax laws effective prior to 1 January 2008, dividend payments to foreign investors made by foreign-invested enterprises, such as dividends distributed to our Company from our subsidiary in the PRC, were exempted from the PRC withholding tax. In 2007, the PRC Government adopted its New Tax Law and the related implementation regulations, which became effective on 1 January 2008. Under such income tax law and its implementation regulations, all domestic companies are subject to a uniform enterprise income tax at the rate of 25% and dividends from the PRC companies to their foreign shareholders are subject to a withholding tax generally at a rate of 10%, unless it is entitled to reduction or elimination of such tax under tax treaties. In addition, under this New Tax Law, enterprises organised under the laws of jurisdictions outside China with their "de facto management bodies" located within China may be considered as the PRC resident enterprises and therefore be subject to the PRC enterprise income tax at the rate of 25% on their worldwide income. Dividends from the PRC companies to their foreign shareholders which are also qualified as the PRC tax residents are tax exempt. Under the implementation regulations of the New Tax Law, "de facto management bodies" are defined as the bodies that have material and overall management and control over the production, business, personnel, accounts and properties of the enterprise. As a majority of the members of our management team continue to be located in China after the effective date of the New Tax Law, we may be treated as a PRC tax resident for enterprise income tax purposes. The tax consequences of such treatment are currently unclear, as they will depend on how tax authorities apply or enforce the New Tax Law or its implementation regulations. See also paragraph headed "Dividends payable by us to our foreign investors and gain on the sale of our Shares may be subject to the PRC tax" below.

Dividends payable by us to our foreign investors and gain on the sale of our Shares may be subject to the PRC tax

Under the New Tax Law and its implementation regulations, a PRC withholding tax at the rate of 10% is applicable to dividends payable to investors that are "non-resident enterprises" (and that do not have an establishment or place of business in the PRC, or that have such establishment or place of business but the relevant income is not effectively connected with such establishment or place of business) to the extent such dividends have their source within the PRC unless there is an applicable tax treaty between the PRC and the jurisdiction in which an overseas holder resides which reduces or exempts the relevant tax. Similarly, any gain realised on the transfer of shares by such investors is subject to a 10% PRC income tax if such gain is regarded as income derived from sources within the PRC. Since it is uncertain whether our Company will be considered a PRC "resident enterprise," dividends payable to our foreign investors with respect to our Shares, or the gain our foreign investors may realise from the transfer of our Shares, may be treated as income derived from sources within the PRC and be subject to the PRC tax. If we are required under the New Tax Law to withhold the PRC tax on dividends payable to our foreign Shareholders, or if you are required to pay the PRC tax on the transfer of your Shares, the value of your investment in our Shares may be materially and adversely affected.

We cannot assure that we will continue to enjoy preferential tax treatments or financial incentives in the future

Sinoref (Yixing) enjoyed preferential tax treatments, in the form of reduced tax rates and/or tax holidays, provided by the PRC government or its local authorities or bureaus during the Track Record Period. According to the New Tax Law and the Notice in relation to the Implementation of the Transitional Preferential Policy of Enterprise Income Tax issued by the State Council (國務院關於實施企業所得稅過渡優惠政策的通知), Sinoref (Yixing) could enjoy enterprise income tax exemption for a period of two years starting from the first profit making year, followed by a 50% enterprise income tax reduction for a period of three years. Sinoref (Yixing) was exempted from paying the enterprise income tax for 2007 and 2008 and has been entitled to paying the enterprise income tax at a reduced rate of 12.5% in 2009. Assuming that the relevant policies in the PRC remain unchanged, Sinoref (Yixing) will be entitled to paying the enterprise income tax at a reduced rate of 12.5% in 2010 and 2011. However, no assurance can be given that the current policies in the PRC with respect to such preferential tax treatment will not be abolished or unfavorably amended, or that the approval for such preferential tax treatment will be granted to Sinoref (Yixing) in a timely manner, or at all.

PRC regulations on loans to and direct investment by offshore holding companies in the PRC entities may delay or prevent us from using the proceeds of this offering to make loans or additional capital contributions to our PRC subsidiary

As an offshore holding company of our PRC subsidiary, we may make loans to our PRC subsidiary, or we may make additional capital contributions to our PRC subsidiary. Any loans to our PRC subsidiary are subject to the PRC regulations and foreign exchange loan registrations. For example, loans by us to our PRC subsidiary to finance its activities cannot exceed statutory limits and must be registered with the SAFE or its local counterpart. We may also determine to finance our PRC subsidiary by means of capital contributions. These capital contributions must be approved by the Ministry of Commerce of the PRC or its local counterpart. We cannot assure you that we can obtain these government registrations or approvals on a timely basis, if at all, with respect to future loans or capital contributions by us to finance our PRC subsidiary. If we fail to receive relevant registrations or approvals, our ability to use the proceeds of this offering and to capitalise our PRC operations would be negatively affected which would adversely and materially affect our liquidity and our ability to expand our business.

We are a holding company and rely on dividend payments from our operating subsidiary

We are a holding company and conduct substantially all of our business through our operating subsidiary in China. As a result, our ability to pay dividends depends on dividends and other distributions received from our operating subsidiary. If our subsidiary incurs debt or losses, it may impair its ability to pay dividends or other distributions to us, which could adversely affect our ability to pay dividends to our Shareholders.

Under current the PRC laws, dividends of the PRC companies can be paid only once a year and only out of the net profit calculated according to the PRC accounting principles, which differ in many respects from generally accepted accounting principles in other jurisdictions. Furthermore, the PRC law requires foreign invested enterprises, such as our subsidiary in China, to set aside part of their net profit as statutory reserves. Our PRC subsidiary is required to set aside each year at least 10% of its after-tax profits for such year, as reported in its PRC statutory financial statements, to the statutory surplus reserve of such PRC subsidiary. Such reserve may not be discontinued until the accumulated amount has reached 50% of the registered capital of the PRC subsidiary. These statutory reserves are not available for distribution to us, except in liquidation. The calculation of distributable profits under the PRC Accounting Standards and Regulations differs in many aspects from the calculation under International Financial Reporting Standards ("**IFRSs**"). As a result, our subsidiary in the PRC may not be able to pay any dividend in a given year to us if it does not have distributable profits as determined under the PRC Accounting Standards and Regulations, even if it has profits for that year as determined under IFRSs.

Limitations on the ability of our PRC subsidiary to remit its entire after-tax profits to us in the form of dividends or other distributions could adversely affect our ability to grow, make investments that could be beneficial to our business, pay dividends and otherwise fund and conduct our business. We cannot assure you that our subsidiary will generate sufficient earnings and cash flows to pay dividends or otherwise distribute sufficient funds to us to enable us to pay dividends to our Shareholders.

In addition, restrictive covenants in bank credit facilities, joint venture agreements or other arrangements that we or our subsidiary may enter into in the future may also restrict the ability of our subsidiary to pay dividends or make distributions to us. These restrictions could reduce the amount of dividends or other distributions we receive from our subsidiaries, which in turn would restrict our ability to pay dividends to our Shareholders.

Uncertainties on the PRC withholding tax rate on dividends payable by our subsidiary in the PRC

Under the Arrangement for the Avoidance of Double Taxation on Income and Prevention of Fiscal Evasion between the PRC and HK (中國內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排), Sinoref (HK) should be entitled to a 5% preferential rate on the PRC withholding tax on dividend distribution from Sinoref (Yixing) provided that Sinoref (HK) is qualified as a Hong Kong resident and the beneficial owner of the income. The State Administration of Taxation released a circular in relation to How to Understand and Determine "Beneficial Owners" under Tax Conventions (國家稅務總局關於如何理解和認定稅收協定中"受益所有人"的通知) on 27 October 2009. The circular stipulates that a beneficial owner is a person who has both ownership and right of control over the income or the assets or rights generating the income and generally must be engaged in substantive business. If Sinoref (HK) is not considered as a beneficial owner, 10% PRC withholding tax should be applicable. It is unclear about the application of this circular to our Group.

PRC regulations relating to acquisitions of the PRC companies by foreign entities may limit our ability to acquire the PRC companies and adversely affect the implementation of our strategy as well as our business and prospects

The Rules on the Acquisition of Domestic Enterprises by Foreign Investors (2006 Revision) (關於外國投資者併購境內企業的規定) ("**M&A Rules**"), which were promulgated in August 2006 and were effective from 8 September 2006, provide the rules with which foreign investors must comply if they are seeking to acquire shares in a domestic enterprise, whether through a purchase agreement with existing shareholders or through a direct subscription from a company, that would result in that company becoming a foreign-funded enterprise. The M&A Rules further require that the business scope of the resultant foreign-funded enterprise conform to the Foreign Investment Industrial Guidance Catalogue (外商投資產業指導目錄). The M&A Rules also provide the takeover procedures for the acquisition of equity interests in domestic enterprises.

There are uncertainties as to how the M&A Rules will be interpreted or implemented. If we decide to acquire a PRC company in the future, there is no assurance that we or the owners of such PRC company can successfully complete all necessary approval requirements under the M&A Rules. This may restrict our ability to implement our expansion and acquisition strategy and could materially and adversely affect our future growth.

PRC regulations relating to the establishment of offshore special purpose companies by the PRC residents may subject our PRC resident shareholders or our PRC subsidiary to liability or penalties, limit our ability to inject capital into our PRC subsidiary, limit our PRC subsidiary's ability to increase their registered capital or distribute profits to us, or may otherwise adversely affect us

The SAFE has promulgated several regulations, including the Notice on Issues Relating to the Administration of Foreign Exchange in Fund-Raising and Round-trip Investment Activities of Domestic Residents Conducted via Offshore Special Purpose Companies (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), (the "**SAFE Circular No.75**") issued on 1 November 2005 and its implementation rules issued on 24 November 2005 and 29 May 2007, respectively, that require the PRC residents and the PRC corporate entities to register with and obtain approval from local branches of the SAFE in connection with their direct or indirect offshore investment activities. These regulations apply to our shareholders who are the PRC residents and may apply to any offshore acquisitions that we make in the future.

Under these foreign exchange regulations, the PRC residents who make, or have previously made prior to the implementation of these foreign exchange regulations, direct or indirect investments in offshore companies will be required to register those investments. In addition, any PRC resident who is a direct or indirect shareholder of an offshore company is required to update the previously filed registration with the local branch of the SAFE, with respect to that offshore company, to reflect any material change involving its round-trip investment, capital variation. If any PRC shareholder fails to make the required registration or update the previously filed registration, the PRC subsidiaries of that offshore parent company may be prohibited from distributing their profits and the proceeds from any reduction in capital, share transfer or liquidation to their offshore parent company, and the offshore parent company may also be prohibited from injecting additional capital into its PRC subsidiaries. Moreover, failure to comply with the various foreign exchange registration requirements described above could result in liability under the PRC laws for evasion of applicable foreign exchange restrictions.

Currently our PRC resident Shareholders have filed and completed the necessary registration for previous offshore investment activities as required under SAFE Circular No. 75 and related rules. However, we cannot provide any assurance that all of our shareholders who are the PRC residents will make, obtain or update any applicable registrations or approvals required by these foreign exchange regulations. The failure or inability of our PRC resident Shareholders to comply with the registration procedures set forth in these regulations may subject us to fines and legal sanctions, restrict our cross-border investment activities, limit our PRC subsidiary's ability to distribute dividends to, or obtain foreign-exchange-dominated loans from, our company, or prevent us from being able to make distributions or pay dividends, as a result of which our business operations and our ability to distribute profits to you could be materially and adversely affected.

A shortage of electricity and water supply in the PRC would affect our production and affect our business and financial performance

Our revenue is dependent on the continued operations of our production facilities in Yixing, the PRC. A disruption in the supply of utilities including electricity and water supply, typhoons, floods or other calamities resulting in a prolonged power outage, could result in an interruption or delay of, or require us to curtail, our operations. Any such disruption in our operations could cause us to reduce or halt our production, prevent us from meeting customer orders, adversely affect our business reputation, increase our costs of production or require us to make unplanned capital expenditures, any one of which could materially and adversely affect our business, financial condition and results of operations.

RISKS RELATING TO THE GLOBAL OFFERING

Shareholders' interests in the share capital of our Company may be diluted in the future

We may in the future expand our capabilities and business through acquisition, joint venture and strategic partnership with parties who can add value to our business. We may require additional equity funding after the Global Offering and the equity interest of our Shareholders will be diluted should our Company issue new Shares to finance future acquisitions, joint ventures and strategic partnerships and alliances.

Any exercise of the options to be granted under the Share Option Scheme in the future and issuance of Shares thereunder would also result in the reduction in the percentage ownership of our Shareholders. There may also be a dilution in the earnings per Share and net asset value per Share as a result of the increase in the number of Shares outstanding after the issue of such additional Shares.

Under the IFRS 2, the costs of share options to be granted to employees under the Share Option Scheme will be charged to our income statement over the vesting period by reference to the fair value at the date at which the share options are granted. As a result, our profitability may be adversely affected.

Lack of liquidity of our Shares and volatility of the market price may be resulted

Prior to the Global Offering, there has been no public market for our Shares. There is no guarantee that a liquid public market for our Shares will develop or be sustained upon completion of the Global Offering. In addition, the Offer Price has been determined by negotiations between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholders), and may not be indicative of the market price of our Shares that will prevail in the trading market and such market prices may be volatile.

If an active public market for the Shares does not develop after the Global Offering, the market price and liquidity of the Shares may be adversely affected. Investors may not be able to sell their Shares at or above the initial public offering price. The stock market of Hong Kong generally has experienced increasing price and volume fluctuations, some of which have been unrelated or have not corresponded to the operating performances of such companies in recent years. Volatility in the price of our Shares may be caused by factors outside our control and may be unrelated or disproportionate to our operating results.

Fluctuation of RMB may affect value of our dividends (if any) and our financial condition

The value of RMB may fluctuate which is subject to the government policy of the PRC. From 1994 to 2005, RMB was pegged to the USD. The conversion of RMB into foreign currencies in the PRC, including Hong Kong and USD, was based on exchange rates published by the People's Bank of China. The official exchange rate for the conversion of the RMB to USD was in general stable during that period. However, since 2005, RMB has been pegged to a basket of currencies instead of USD alone.

Since our financial statements are denominated in RMB, the termination of the linked exchange rate between RMB and USD has increased the uncertainty of our income and profits. Any unfavourable change in the PRC government's currency policies and conditions of the currency market may have material adverse effect on the value of our dividends, if any, payable in foreign currencies, and also our financial condition.

Investors may experience difficulties in effecting service of legal process and enforcing judgments against our Company and our management

Our Company is a company incorporated in the Cayman Islands under the Companies Law with limited liability and the Companies Law differs in some respects from those of Hong Kong or other jurisdictions where investors may be located. As a result, the remedies available to the minority Shareholders may be different from those they would have under the laws of Hong Kong or other jurisdictions.

Our Company's corporate affairs are governed by its memorandum of association and the Articles, the Companies Law and the common law of the Cayman Islands. The rights of our Shareholders to take legal action against our Directors and our Company, actions by minority Shareholders and the fiduciary responsibilities of our Directors to our Company under the Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The rights of our Shareholders and the fiduciary responsibilities of our Directors under the Cayman Islands law may not be as clearly established as they would be under statutes or judicial precedents in Hong Kong or other jurisdictions where investors may be located. In particular, the Cayman Islands has a less developed body of securities laws.

In addition, although our Company will be subject to the Listing Rules and the Takeovers Code upon the listing of our Shares on the Stock Exchange, our Shareholders will not be able to bring actions on the basis of violations of the Listing Rules and must rely on the Stock Exchange to enforce its rules.

Furthermore, the Takeovers Code does not have the force of law and only provide standards of commercial conduct acceptable for takeover and merger transactions and share repurchases in Hong Kong.

As a result of any or all of the above, our Shareholders may have more difficulty in protecting their interests in the face of actions taken by our Company's management, directors or major shareholders than they would as shareholders of a Hong Kong company or companies incorporated in other jurisdictions.

For further information on the constitution of our Company and the Companies Law, see "Summary of the constitution of our Company and Cayman Islands company law" set out in Appendix V to this prospectus.

We cannot guarantee the accuracy of facts and other statistics with respect to the global steel industry, the PRC economy, the PRC steel industry and the PRC steel flow control products industry in the continuous casting process contained in this prospectus

We have derived certain facts and other statistics in this prospectus relating to the global steel industry, the PRC economy, the PRC steel industry and the PRC steel flow control products industry in the continuous casting process from various government publications or various organisations that we believe to be reliable. However, we cannot guarantee the quality or reliability of such source materials. The information has not been prepared or independently verified by us, the Sole Sponsor, the Joint Lead Managers, the Underwriters or any of our or their respective affiliates or advisers. The facts and other statistics include the facts and statistics included in the sections headed "Risk factors", "Industry overview" and "Business". Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be inaccurate or may not be comparable to official statistics produced for other economies and you should not place undue reliance on them. Further, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In all cases, you should consider carefully how much weight or importance you should attach to or place on such facts or statistics.

Forward-looking statements contained in this prospectus are subject to risks and uncertainties

This prospectus contains certain statements that are "forward-looking" and indicated by the use of forward-looking terminology such as "anticipate", "believe", "estimate", "expect", "may", "ought to", "should" or "will" or similar terms. Prospective investors are cautioned that reliance on any forward-looking statement involves risk and uncertainties, any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. The risks and uncertainties in this regard consist of those identified in the risk factors discussed above. In light of these and other risks and uncertainties, the enclosure of forward-looking statements in this prospectus should not be regarded as representations by us that the plans and objectives will be achieved, and investors should not place undue reliance on such statements.

We strongly caution you not to place any reliance on any information contained in press articles or media regarding us or the Global Offering

There may be press and media coverage regarding us or the Global Offering, which may include certain financial information, financial projections and other information about us that do not appear in this prospectus. We have not authorised the disclosure of any such information in the press or media. We do not accept any responsibility for any such press or media coverage or the accuracy or completeness or reliability of any such information or publication. To the extent that any such information appearing in publications other than this prospectus is inconsistent or conflicts with the information contained in this prospectus, we disclaim it. Accordingly, prospective investors should not rely on any such information. In making your decision as to whether to purchase our Shares, you should rely only on the financial, operational and other information included in this prospectus.