

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

Please see “Business—Business Strategy” for further details of our future plans.

USE OF PROCEEDS

We estimate that the aggregate net proceeds to us from the Global Offering (after deducting underwriting fees and estimated expenses payable by us in connection with the Global Offering), assuming an Offer Price of HK\$2.89 per Share, which represents the mid-point of the proposed Offer Price range of HK\$2.50 to HK\$3.27 per Share, will be approximately HK\$1,074 million. In the event that the Offer Price is determined at the low end and high end of the indicative Offer Price range, the net proceeds from the issue of new Shares will be approximately HK\$925 million and HK\$1,224 million, respectively. Based on an Offer Price of HK\$2.89 per Share (being the midpoint of the Offer Price range), we currently intend to apply these net proceeds for the following purposes:

- approximately 27%, or HK\$290 million, for the expansion of our coating materials and services business, including
 - approximately 13%, or HK\$143 million, for the construction of line pipe coating services plants in the PRC;
 - approximately 11%, or HK\$117 million, for the construction of OCTG coating services plants overseas; and
 - approximately 3%, or HK\$29 million, for the expansion and upgrade of production capacity for coating materials;

we expect approximately 14%, or HK\$147 million, to be applied by the end of 2011 and the remaining 12% to be applied in 2012;

- approximately 21%, or HK\$223 million, for the expansion of our oilfield services business, including payments towards purchases of drilling rigs. We expect all of the net proceeds in this category to be applied by the end of 2012;
- approximately 20%, or HK\$211 million, for the repayment of bank borrowings, including a principal of HK\$156 million with interest rate of HIBOR plus 5% and a maturity date on the earlier of (i) the redemption of the equity interest of UMW and (ii) the listing of our Company;
- approximately 17%, or HK\$188 million, for the repayment of outstanding balances due to related parties;
- approximately 11%, or HK\$118 million, for upgrading of production capacity for our drill pipes
 - approximately 6%, or HK\$64 million, for upgrading of existing drill pipe production lines to improve production efficiency and to develop production capabilities in high-end products;
 - approximately 5%, or HK\$54 million, for development of production capabilities in “intelligent” drill pipes;

we expect approximately 6%, or HK\$64 million, to be applied by the end of 2011 and the remaining 5% to be applied in the first half of 2012; and

- approximately 4%, or HK\$45 million, for working capital and general corporate purposes.

FUTURE PLANS AND USE OF PROCEEDS

For more information on our planned production capacity and rig count after the Global Offering, see “Business—Business Strategy.”

If the Offer Price is set above the mid-point of the proposed Offer Price range, we intend to apply the additional amounts towards the expansion of our oilfield services segment, merger and acquisition activities and repayment of bank borrowings. If the Offer Price is set below the mid-point of the proposed Offer Price range, we intend to reduce the amounts allocated to the repayment of bank borrowings and the upgrading of production capacity for drill pipes. To the extent that the net proceeds from the Global Offering are not immediately applied to the above purposes, we intend to deposit the proceeds into our accounts with licensed financial institutions.

Hilong Group Limited, one of our Controlling Shareholder, (in such capacity, the “Selling Shareholder”) will be selling a portion of its Shares pursuant to the exercise of the Over-allotment Option by the Sole Global Coordinator on behalf of the International Underwriters, after consultation with the Joint Bookrunners as part of the Global Offering. If the Over-allotment Option is exercised in full, we estimate that the aggregate net proceeds to the Selling Shareholder from the Global Offering (after deducting underwriting commissions and estimated expenses payable by it in connection with the Global Offering), assuming an Offer Price of HK\$2.89 per Share, will be approximately HK\$168 million. In the event that the Offer Price is determined at the low end and high end of the indicative Offer Price range, assuming a full exercise of the Over-allotment Option, the net proceeds to the Selling Shareholder from the Global Offering will be approximately HK\$146 million and HK\$190 million, respectively. We will not receive any of the proceeds from the sale of Shares by the Selling Shareholder in the Global Offering.