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## STATEMENT OF BUSINESS OBJECTIVES

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### OVERALL BUSINESS OBJECTIVES

The Company's aim is to further consolidate its position as a leading manufacturer of oil well and petrochemical pipes, explore further exports to the international market and ultimately, to become a world-class oil well pipe manufacturer.

The Company's overall business objectives are:

- To upgrade existing products, develop new products, and modify product mix through research and development efforts in order to improve the profitability of the Company;
- To diversify its market coverage, actively develop its international market share and markets in the northwest and northeast China where China's largest oil producers are located, strengthen the sales team as well as enhance the standard and expand the scope of one-stop shop service;
- To increase output efficiencies and further reduce production costs actively through research and development, optimizing craftsmanship and stringent cost control, systematic energy saving and material saving; and
- To upgrade the production capacity of the existing production lines through technical improvement, merger and acquisition or establishment of new production lines for new high-end products.

### FUTURE PLANS

The Company is planning to implement the following to strengthen its market position and capitalize on opportunities in a rising market.

- 1. Intensification of research and development efforts, upgrading of existing products, development of high grade oil well pipes and other high value-added products, and modifications of product mix to enhance the gross profit margin of the Company**

The Company has adopted a three pronged approach to enhance its gross profit margin:

- *Upgrading existing products*

Providing further value-added services to customers and product quality improvement in respect of existing products, through research and development, technical improvement, improved manufacturing technologies and expanding into downstream products. For example, part of the proceeds from the International Placing will be used to install a threading and heat processing production line as mentioned in the paragraph headed "Products" in the section headed "Business" and the paragraph headed "Increase in production capacity" in the section headed "Statement of Business Objectives" in this prospectus.

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Such processing line is capable of converting the Company's existing products into finished products that can be used directly in oil fields with no further product processing.

- *Development of high grade and high value-added products*

The Company is conducting in-depth study and research and expects to launch its high-grade steel oil well pipes which are designed to be strong, high pressure resistant and corrosion resistant and are expected to have a higher gross profit margin. With the Company's strict quality system and advanced production craftsmanship, the Company aims to develop high grade and high value-added products with quality comparable to that of imported products and the Directors believe that the Company's cost advantages will enable it to capture the market share from imported products. Should the Company receive approval for its project under the 861 Action Plan, the Company also intends to commence the initial phase of its investment for a significant increase in its production capacity.

- *Improvement in product mix*

The Company will continue to develop high-quality and high-end vessel pipes and boiler pipes, which can also be used in the oil and petrochemical industry, to optimize the Company's product mix and avoid the risks of relying on a single category of products. In order to accomplish its goal, the Company will gradually increase its investment in research and development, and employ more qualified research and development personnel.

### **2. Strengthen logistics and one-stop shop service**

The Company intends to improve its one-stop shop service by way of strengthening its distribution logistics capability. For this purpose, the Company owns a site in Chuzhou of approximately 258,507 sq.m. and a warehouse of approximately 31,522 sq.m. from which it has set up its distribution and logistics centre. The Company also expects to increase its sales force and logistics teams and to build additional warehouses.

### **3. Diversification of sales to include more exports**

The Company is planning to actively expand its market penetration in both international and domestic markets. For the international market, the Company plans to increase its exports to approximately 8% of its total sales for the year ending 31 December 2006 from approximately 3% in 2005. The Company will gradually expand its market destinations from the United States to the Middle East, Africa, Europe, South America and South East Asia. For the domestic market in China, currently approximately 70% of its products are shipped to its customers in the eastern and northern parts of China. As northern part of China is home to many major oil fields and new mega oil fields have been discovered in the northwestern part of China, the Company will focus on developing business relationships with oil fields in those regions such as Daqing oil field, Xinjiang oil field, Changqing Oil field, Yan Chang oil field, Jilin oil field.

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To achieve the above targets, the Company will first gradually increase its sales force. More importantly, the Company will employ intensive training to improve the marketing and technical knowledge of its sales force. This allows the Company to better serve the existing customers and explore emerging customers at home and abroad.

#### **4. Commitment to reducing production cost**

The Company will continually use its research and development resources to optimize its production process and craftsmanship. Such efforts aim to increase the Company's output efficiencies by reducing consumption of raw materials and energy. For example, due to the research and development efforts, the Company successfully reduced its energy consumption by 10% and cut the defects in its products by 1% for every tonne of specialized seamless pipe manufactured in 2005. The Company is committed to consistently employing stringent cost control systems throughout its operations. Strict management budgeting systems will also be implemented in each business unit in order to maintain its cost advantage over its competitors.

#### **5. Increase in production capacity and product quality**

As at the Latest Practicable Date, the Company's designed capacity was 300,000 tonnes per annum, while its expected output in 2006 will be 210,000 tonnes, representing a utilization rate of approximately 70%. The Company has succeeded in increasing the annual capacity of its existing production lines by 100,000 tonnes in 2006 compared to 2005 through continuous technical innovation and production process optimization. The Company will continue, through technical innovation, to increase or optimize the utilization of its production capacity as this will be less costly than establishing new production lines. The Company has commenced (but not finished) its technology upgrade projects for heat treatment of 100,000 tonnes of casing pipes and threading for casing pipes for up to 100,000 tonnes per annum. Commercial production in these heat processing and threading production lines are expected in 2007. The Company may also increase its production capacity (mainly in the production of oil well pipes) through merger and acquisition as well as addition of new production lines after the end of 2006. The Company has not yet identified any such acquisition targets but the seeking of such opportunities will continue.

The Company expects that the market conditions for its products will continue to be favourable for the period ending 31 December 2008 for so long as the price of crude oil remains relatively high and oil and gas exploration activities remain at that of current levels or increase. The Company has also commissioned a feasibility study by CIECC in relation to the project on increasing its annual production capacity by 300,000 tonnes, such project has been for the additional 300,000 tonnes production capacity which has been classified as part of the 861 Action Plan of Anhui Province and the Company intends to apply for the relevant regulatory approvals.

Oil and gas exploration involve oil wells which can contain a large amount of corrosive chemicals and materials which damage ordinary oil well pipes and thereby affect the productive life of an oil well. The Company currently manufactures oil well pipes which are normally used for oil wells with a depth of approximately 3,000 meters or less. The oil well pipes which the Company intends to produce under phase II of its project within the

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861 Action Plan are high grade oil well pipes for use in deep oil wells. These new types of oil well pipes are more resistant to high temperature, sulfide corrosion and other corrosive materials and general damage. Their product specifications include a higher tensile strength and other properties which are more suitable for use in harsher environments of oil exploration such as deep well drilling and drilling in the ocean. The Company does not currently make these higher grade oil well pipes and the Directors believe that this market is currently primarily comprised of imported oil well pipes.

The Company expects to spend approximately RMB10 million on preliminary work including feasibility study. If phase II of the Company's project within the 861 Action Plan is proceeded with, the Company expects, depending on conditions at that time, to fund this through a combination of internal cash resources, bank financing and equity financing.

The 861 Action Plan is a major strategy deployed by the Anhui Provincial Government to promote industry bases and construction of infrastructure facilities, and is an important support to the rapid growth of the economy in Anhui Province. In September 2005, the Company was notified that its proposal for a high value added oil well pipes and petrochemical pipes project had been included in the Anhui Province's 861 Action Plan. However, any formal governmental support would have to be subject to a formal application and further State approval. The Anhui Economic and Trade Commission had already approved phase I of the 861 Action Plan, namely the hot-rolled oil well pipe production line in Chuzhou which was established at the end of 2004 and commenced commercial production in 2005. The Company has officially appointed CIECC to commence the feasibility study (including market analysis, product range recommendations, production flow, major production equipment selection, environmental protection procedures and investment estimation, economic benefit and risk analysis etc.) which is necessary for the formal application and expects, as soon as practicable after the availability of the feasibility study, to make the formal application in 2007. With respect to the feasibility study for the preliminary work, the Company needs not obtain approval for the phase II of the Company's project within the 861 Action Plan by other relevant authorities.

The Company will analyse the feasibility study for the preliminary work when it is available, and is not yet required to submit any application to relevant government authorities for authorisation to undertake any feasibility study. After the feasibility study is analysed by the Company, the Company will apply to the National Development and Reform Commission or its delegated authorities for the approval of the project according to the prevailing circumstances in accordance with the laws and regulations, prior to officially investing in the project.

As far as the Company is aware, approvals by the National Development and Reform Commission or its delegated authorities will be based on a case by case criteria. In addition to such governmental approvals, the usual building approvals and environmental valuation will be required if the project is implemented, the factory is built and production commences. If phase II of the Company's project within the 861 Action Plan receives regulatory approval and is fully implemented, the Company expects to be able to increase its production capacity to 600,000 tonnes per annum by 2009, resulting in a total production capacity increase of 100% by reference to current production capacity of 300,000 tonnes per

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annum. In addition, the Company also expects to achieve a further production capacity increase of 50,000 tonnes per annum in 2009 via technological upgrades of current production lines, making the total production capacity of 650,000 tonnes per annum in 2009.

In the event that phase II of the Company's project within the 861 Action Plan is approved, the Company intends to appoint a reputable metallurgical and heavy industry enterprise to manufacture the production equipment of the project. Pursuant to the Notice on the Provisional Measures for Setting Off Enterprise Income tax with Investment in Domestically-made Equipment in Technology Upgrade promulgated by the State Tax Bureau, to the extent such purchases of equipment are purchased from within the PRC, the Company would be eligible to apply for and, if approved, would be able to set off the excess of enterprise income tax for the purchase of equipment for technology upgrade project over the previous year with 40% of its investment in the domestically-made equipment required by the project for a maximum of five years.

The Company has confirmed that approximately RMB10 million of the proceeds from the International Placing will be applied to conduct the feasibility study for the preliminary work on phase II of the Company's project within the 861 Action Plan. The scope of the initial phase investment is set out below and can be broken down as follows:–

<b>Scope of work</b>	<b>Approx. fees (RMB)</b>
General consultation fee	0.3 million
Feasibility study	2 million
Environmental impact assessment	1 million
Equipment and know-how fee	6 million
Administration and other expenses	0.7 million

Further details of such use of proceeds are set out in the section headed "Reasons for the International Placing and use of proceeds" in this prospectus.

After completion of the feasibility study, phase II of the Company's project within the 861 Action Plan, which is subject to further regulatory approval and investment will only proceed if that regulatory approval is obtained, will require an investment of approximately RMB790 million to be spent in the three financial years ending 31 December 2009 when the Company expects to achieve production under phase II of the Company's project within the 861 Action Plan. The expected investment amount, subject to regulatory approval of phase II of the Company's project within the 861 Action Plan, is expected to comprise the following:–

<b>Scope of work</b>	<b>Approximate budget</b>	
	<i>(RMB)</i>	<i>(HK\$)</i>
Factory construction	70 million	69 million
Production line and equipment	520 million	515 million
General working capital	200 million	198 million

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The Company is expected to fund this through a combination of internal cash resources, bank financing and equity financing. The potential impact of the funding for phase II of the Company's project within the 861 Action Plan would depend on the actual cost of investment and type of financing arrangement. Funding by bank loans would increase the Company's total liabilities and gearing ratio, funding by internally generated cash reserves may have an adverse impact on the liquidity of the Company and funding by way of issue of equity securities would cause dilution to existing shareholders. As the estimated total investment amount of RMB790 million will be spent in the course of three financial years, namely for the three financial years ended 31 December 2007 to 2009, the amounts to be spent at each phase of the investment will not be even throughout the period. The method of financing will be determined nearer the time of expenditure and may be a combination of all of the above, after taking into account market interest rates for loans, cash flow of the Company and the relevant market conditions for issues of securities. Consequently, the Directors consider it not practicable to provide any quantitative analysis of the financial impact of phase II of the Company's project within the 861 Action Plan at the moment. Further disclosure under the GEM Listing Rules, to the extent phase II of the Company's project within the 861 Action Plan proceeds, will be made as and when appropriate. As phase II of the Company's project within the 861 Action Plan is subject to further regulatory approval and investment will only proceed if such approvals are obtained, it is not intended that any of the proceeds from the International Placing (assuming the Over-allotment Option is not exercised in full) will be used to finance the above RMB790 million investment. If the relevant regulatory approvals are obtained, the additional proceeds may be used for the implementation of phase II of the Company's project within the 861 Action Plan.

### **REASONS FOR THE INTERNATIONAL PLACING AND USE OF PROCEEDS**

The Company will implement a set of business plans to capitalise on business opportunities in the market of oil well pipes and other specialized seamless pipes. In this connection, the Company intends to partly finance the implementation costs of the business plans by the proceeds raised from the International Placing. Based on the Placing Price of HK\$2.7 per Placing Share (being the mid-point of the indicative range of the Placing Price between HK\$2.4 and HK\$3.0 per Placing Share), the net proceeds from the International Placing, after deducting the underwriting and other expenses payable by the Company in

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relation to the International Placing, are estimated to be approximately HK\$353.4 million, assuming that the Over-allotment Option is not exercised. The Directors presently intend to apply such net proceeds in the following manners:

	For the period from the Latest Practicable Date to 31 December 2006 <i>(HK\$' million)</i>	For the six months ending 30 June 2007 <i>(HK\$' million)</i>	For the six months ending 31 December 2007 <i>(HK\$' million)</i>	For the six months ending 30 June 2008 <i>(HK\$' million)</i>	For the six months ending 31 December 2008 <i>(HK\$' million)</i>	Total <i>(HK\$' million)</i>
Product improvement and development						
– Threading	29.3	8.9	–	–	–	38.2
– Heat Processing	33.7	9.3	–	–	–	43.0
– Ultrasonic inspection equipment	–	19.8	15.9	–	4.0	39.7
Equipment technology upgrade	–	14.9	14.8	12.9	9.8	52.4
Research & Development	1.0	10.9	7.9	8.9	10.9	39.6
Sales & Marketing	0.5	1.0	1.5	2.0	2.2	7.2
Production packaging/logistics	9.9	9.9	–	–	–	19.8
Phase II of the 861 Action Plan						
– Feasibility study	5.0	4.9	–	–	–	9.9
Working capital	9.9	9.9	2.2	–	–	22
Sub-Total	<u>89.3</u>	<u>89.5</u>	<u>42.3</u>	<u>23.8</u>	<u>26.9</u>	271.8
Phase II of the 861 Action Plan/ Merger and Acquisition*						<u>81.6</u>
Total						<u><u>353.4</u></u>

\* The Directors intend to apply the remaining net proceeds of HK\$81.6 million to the implementation of phase II of the 861 Action Plan if it is approved by the relevant regulatory authorities and if not so approved, shall be applied to merger and acquisition opportunities, both of which plans to increase production capacity.

To the extent that the net proceeds from the International Placing are not immediately applied for in accordance with the above purposes, it is the present intention of the Directors that such net proceeds will be placed on short term deposits with banks or financial institutions in Hong Kong and/or the PRC.

### *If Over-allotment Option is not exercised*

In the event that the Offer Price is fixed at HK\$2.4 per H Share, being the lowest point of the indicative price range, the net proceeds from the International Placing (compared to that based on the mid-point of the Offer Price range as stated above and assuming that the Over-allotment Option is not exercised) will be reduced by approximately HK\$41.2 million. In such circumstance, the total amount from the net proceeds to be applied towards the implementation of phase II of the Company's project within the 861 Action Plan if that project is approved by the relevant regulatory authorities would then be reduced to approximately HK\$39.6 million and if the project is not so approved, shall be applied to merger and acquisition opportunities, both of which aim at increasing production capacity of the Company.

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In the event that the Offer Price is fixed at HK\$3.0 per H Share, being the highest point of the indicative price range, the net proceeds from the International Placing (compared to that based on the mid-point of the Offer Price range as stated above and assuming that the Over-allotment Option is not exercised) will increase by approximately HK\$41.2 million. In such circumstance, the total amount from the net proceeds to be applied towards the implementation of phase II of the Company's project within the 861 Action Plan if that project is approved by the relevant regulatory authorities would increase to approximately HK\$123.6 million and if that project is not so approved, in any merger and acquisition opportunities, both of which aim at increasing production capacity of the Company.

*If Over-allotment Option is exercised in full*

In the event that the Over-allotment Option is exercised in full, the Company will receive an additional net proceeds of approximately HK\$56.6 million based on the Placing Price of HK\$2.7 per Placing Share (being the mid-point of the indicative range of the Placing Price between HK\$2.4 and HK\$3.0 per Placing Share). In such circumstance, the total amount from the net proceeds to be applied towards the implementation of phase II of the Company's project within the 861 Action Plan if that project is approved by the relevant regulatory authorities would be increased to approximately HK\$138.3 million and if that project is not so approved, shall be applied to merger and acquisition opportunities, both of which aim at increasing production capacity of the Company.

In the event that the Offer Price is fixed at HK\$2.4 per H Share, being the lowest point of the indicative price range, the net proceeds accruing to the Company (compared to that based on the mid-point of the Offer Price range as stated above and assuming the Over-allotment Option is exercised in full) will be reduced by approximately HK\$48.3 million. In such circumstance, the total amount from the net proceeds to be applied towards the implementation of phase II of the Company's project within the 861 Action Plan if that project is approved by the relevant regulatory authorities would increase to approximately HK\$90.0 million and if that project is not so approved, shall be applied to merger and acquisition opportunities, both of which aim at increasing production capacity of the Company.

In the event that the Offer Price is fixed at HK\$3.0 per H Share, being the highest point of the indicative price range, the net proceeds accruing to the Company (compared to that based on the mid-point of the Offer Price range as stated above and assuming the Over-allotment Option is exercised in full) will increase by approximately HK\$48.3 million. In such circumstance, the total amount from the net proceeds to be applied towards the implementation of phase II of the Company's project within the 861 Action Plan if that project is approved by the relevant regulatory authorities would increase to approximately HK\$186.5 million or if that project is not so approved, shall be applied to merger and acquisition opportunities, both of which aim at increasing production capacity of the Company.

**If any part of the Business Plan becomes unattainable or is delayed, the Directors may, taking into account the then conditions and the interests of the Company and the Shareholders as a whole and subject to the GEM Listing Rules, reallocate the relevant capital to other parts of the Business Plan and/or new projects and/or hold such capital as short-term deposits. Under such circumstances, the Company will issue an announcement in due course and comply with the relevant disclosure requirements under the GEM Listing Rules.**



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### Scheduled business objectives and activities for the period from the Latest Practicable Date to 31 December 2006

	<b>Use of proceeds</b> <i>(HK\$ million)</i>
<b>Product improvement and development</b>	
In order to sustain the Company's competitiveness and market position:	
i. the Company intends to improve and develop products in response to market demands and changes.	63.0
ii. Through the research in the production technologies and craftsmanship of heat processing for oil well pipes, more investment will be made in technology upgrade for equipment.	
iii. Through further processing of oil well pipe products (such as threading), standard and added value of the products will be enhanced.	
<b>Research and development</b>	
Rely on the experienced and professional research and development institutions to improve and develop new technology, focusing on the following:	
i. Research and development of new products	1.0
Through conducting technology cooperation with Tubular Goods Research Center of China National Petroleum Corporation and Special Steel Branch Co. of Baoshan Iron and Steel Company Limited, the Company will develop a series of high added value oil casing pipes products that are extremely hard, corrosion resistant and pressure resistant. Depending on the equipment and resources available to the Company, the Company will develop casing of oil transfer pipes for non-conditioning steel, such as N80.	

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**Use of  
proceeds**  
*(HK\$ million)*

	<p>ii. Research and development on production technologies and craftsmanship for oil well pipes</p> <p>Through further research in the production technologies and craftsmanships for oil well pipes, and technology upgrades for equipment, the quality of products will be improved, whilst production costs will be reduced and production capability will be increased.</p> <p>iii. Early stage preparation for the processing of screw marks and thickening of oil transfer pipes.</p>	
<b>Sales and marketing</b>	Content in the Company's website will be updated. There will also be enhancements to the Company's information collection system. More promotional efforts will be devoted through expansion of the marketing and publications advertising network. The Company will participate in the Second International Pipe Materials Exhibition to be held at Shanghai Expo Exhibition Centre and the Second Shanghai International Steel Pipes Trade Exhibition held at Shanghai Expo Exhibition Centre.	0.5
<b>Production packaging/ logistics</b>	The Company will develop its distribution and logistics centre by increasing production storage area by approximately 40,000 sq.m.	9.9
<b>Phase II of the 861 Action Plan feasibility study</b>	The Company will continue its initial phase investment in the areas of feasibility study, environmental impact assessment, equipment know-how and administration and other expenses	5.0

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### Human resources

The Directors intend to expand the Company's work force by recruiting high caliber individuals from time to time. The management has laid out a recruiting plan as follows:

	<b>As at Latest Practicable Date</b>	<b>Target for 31 December 2006</b>
Research and development	27	28
Production	651	670
Quality control	62	62
Sales and marketing	29	30
Administration	56	55
	<hr/>	<hr/>
Total	<u>825</u>	<u>840</u>

### Certification

Following the expansion of the specification for the Company's oil well pipes products, the Company will apply for new API certifications, production licenses for boiler and pressure vessels, production license for low and medium pressure boiler pipes and renewal of ISO9001 Quality System Certification. These various certifications allow the Company to qualify more easily under the customer's product and quality specifications. Recognition of our products as part of industry standards contributes to customers' confidence in our products, thereby increasing sales.

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## STATEMENT OF BUSINESS OBJECTIVES

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**Scheduled business objectives and activities for the period from  
1 January 2007 to 30 June 2007**

		<b>Use of proceeds (HK\$ million)</b>
<b>Product improvement and development</b>	<p>In order to sustain the Company's competitiveness and market position, the Company intends to improve and develop products in response to market demands and changes through:</p> <ul style="list-style-type: none"> <li>i. Research in the production technologies and craftsmanship of threading, more investment will be made in technology upgrade for equipment. Through further processing of oil well pipe products, standard and added value of the products will be enhanced.</li> <li>ii. Research in production technologies and to acquire as ultrasonic inspection equipment, the Company will be able to improve its competitiveness by improving its quality control systems.</li> </ul>	38.0
<b>Equipment technology upgrade</b>	<p>So as to implement technology upgrades to cater to new products or increase in production, the Company expects to purchase some equipment and/or technology for such equipment technology upgrades.</p>	14.9
<b>Research and development</b>	<p>Rely on the experienced R&amp;D team and professional R&amp;D institutions to improve and develop new technology, focusing on the following:</p> <ul style="list-style-type: none"> <li>i. Research and development of new products</li> </ul> <p>Through conducting technology cooperation with Tubular Goods Research Center of China National Petroleum Corporation and Special Steel Branch Co. of Baoshan Iron and Steel Company Limited, the Company will continue to develop series of high added value oil casing pipes products that are extremely hard, corrosion resistant, pressure resistant and non-conditioning. Enhancement of the technique in heat processing of oil well pipes and development of pressure resistant oil well pipes with high grade steel, such as P110.</p>	10.9

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**Use of  
proceeds**  
*(HK\$ million)*

- ii. Research and development on production technologies and craftsmanship for oil well pipes

Through the research in the production technologies and craftsmanship for oil well pipes, and technology upgrade for equipment, quality of products will be improved, whilst production costs will be reduced and production capability will be increased.

- iii. Research in the processing technique of screw marks, production of medium circular screw marks of API standard and asymmetrical screw marks. At the same time, thickened oil transfer pipes will be produced.

<b>Sales and marketing</b>	Content in the Company's website will be updated. There will be also enhancements to the Company's information collection system. More promotional efforts will be devoted through expansion of the marketing and publications advertising network. The Company will actively participate in trade exhibitions.	1.0
<b>Production packaging/ logistics</b>	The Company will continue the development of its distribution and logistics centre by increasing production storage area by approximately 40,000 sq.m.	9.9
<b>Phase II of the 861 Action Plan feasibility study</b>	The Company will continue its initial phase investment in the areas of feasibility study, environmental impact assessment, equipment know-how and administration and other expenses	4.9

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**Scheduled business objectives and activities for the period from  
1 July 2007 to 31 December 2007**

		<b>Use of proceeds (HK\$ million)</b>
<b>Product improvement and development</b>	In order to sustain the Company's competitiveness and market position, the Company intends to improve and develop products in response to market demands and changes through the research in production technologies and to acquire ultrasonic inspection equipment, the Company will be able to improve its competitiveness by improving its quality control systems.	15.9
<b>Equipment technology upgrade</b>	So as to implement technology upgrades to cater to new products or increase in production, the Company expects to purchase some equipment and/or technology for such equipment technology upgrades.	14.8
<b>Research and development</b>	Rely on the experienced R&D team and professional R&D institutions to improve and develop new technology, focusing on the following:  i. Research and development of new products	7.9
	Through conducting technology cooperation with Tubular Goods Research Center of China National Petroleum Corporation and Special Steel Branch Co. of Baoshan Iron and Steel Company Limited, the Company will continue to develop series of high added value oil casing pipes products that are extremely hard, corrosion resistant, pressure resistant and non-conditioning. Research and development of corrosion resistant petroleum oil well pipes, such as 9CrL80, 13CrL80, C90 and T95 oil well pipes in the Cr series that are H <sub>2</sub> S and CO <sub>2</sub> corrosion resistant.	

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**Use of  
proceeds**  
*(HK\$ million)*

- ii. Research and development on production technologies and craftsmanship for oil well pipes

Through the research in the production technologies and craftsmanship for oil well pipes, and technology upgrade for equipment, quality of products will be improved, whilst production costs will be reduced and production capability will be increased.

- iii. Research and development of techniques in screw marks of pipes will be enhanced so as to fulfill the sealing requirement for the connection of pipes in oil and gas fields and the tight requirement for the connection of screw marks. Oil well pipes products with special screw marks will be developed.

**Sales and marketing**

Content in the Company's website will be updated. There will be also enhancements to the Company information collection system. More promotional efforts will be devoted through expansion of the marketing and publications advertising network. The Company will actively participate in trade exhibitions, participate in industry seminars and explore opportunities to cooperation with the supply chain.

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### Scheduled business objectives and activities for the period from 1 January 2008 to 30 June 2008

		<b>Use of proceeds</b> <i>(HK\$ million)</i>
<b>Equipment technology upgrade</b>	So as to implement technology upgrades to cater to new products or increase in production, the Company expects to purchase some equipment and/or technology for such equipment technology upgrades.	12.9
<b>Research and development</b>	<p>Rely on the experienced R&amp;D team and professional R&amp;D institutions to improve and develop new technology, focusing on the following specific products:</p> <p>i. Research and development of new products</p> <p>Through conducting technology cooperation with Tubular Goods Research Center of China National Petroleum Corporation and Special Steel Branch Co. of Baoshan Iron and Steel Company Limited, as well as further training of its research officers and place emphasis on its proprietary research and development capabilities. Research will be conducted on the technique and equipment for the production of drilling pipes and to develop series of drilling pipe products for oil well pipes.</p> <p>ii. Research and development on production technologies and craftsmanship for oil well pipes</p> <p>Through the research in the production technologies and craftsmanship for oil well pipes, and technology upgrade for equipment, quality of products will be improved, whilst production costs will be reduced and production capability will be increased.</p>	8.9
<b>Sales and marketing</b>	Content in the Company's website will be updated. There will also be enhancements to the Company information collection system. More promotional efforts will be devoted through expansion of the marketing and publications advertising network. The Company will actively participate in trade exhibitions, participate in industry seminars and explore opportunities to cooperation with the supply chain.	2.0



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**Scheduled business objectives and activities for the period from  
1 July 2008 to 31 December 2008**

	<b>Use of proceeds</b> <i>(HK\$ million)</i>
<b>Product improvement and development</b>	4.0  <p>In order to sustain the Company's competitiveness and market position, the Company intends to improve and develop products in response to market demands and changes, particularly in relation to the following:</p> <p>Through the research in production technologies such as ultrasonic inspection equipment, the Company will be able to improve its competitiveness by improving its quality control systems.</p>
<b>Equipment technology upgrade</b>	9.8  <p>So as to implement technology upgrades to cater to new products or increase in production, the Company expects to purchase some equipment and/or technology for such equipment technology upgrades.</p>
<b>Research and development</b>	10.9  <p>Rely on the experienced R&amp;D team and professional R&amp;D institutions to improve and develop new technology, focusing on the following specific products:</p> <p>i. Research and development of new products</p> <p>Through conducting technology cooperation with Tubular Goods Research Center of China National Petroleum Corporation and Special Steel Branch Co. of Baoshan Iron and Steel Company Limited, as well as further training of its research officers and place emphasis on its proprietary research and development capabilities. Oil well pipes for exploration of offshore oil fields will be developed according to the market requirements.</p>

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## STATEMENT OF BUSINESS OBJECTIVES

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**Use of  
proceeds**  
*(HK\$ million)*

- ii. Research and development on production technologies and craftsmanship for oil well pipes

Through the research in the production technologies and craftsmanship for oil well pipes, and technology upgrade for equipment, quality of products will be improved, whilst production costs will be reduced and production capability will be increased.

- iii. Products applicable for the requirements of sub-critical, super-critical, ultra-super-critical power station boilers will be developed. High pressure boiler pipe products such as T5 and T91 under the T series of ASTM/ASME standards will be developed.

### **Sales and marketing**

Content in the Company's website will be updated. There will be also enhancements to the Company information collection system. More promotional efforts will be devoted through expansion of the marketing and publications advertising network. The Company will actively participate in trade exhibitions, participate in industry seminars and explore opportunities to cooperation with the supply chain.

2.2

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## STATEMENT OF BUSINESS OBJECTIVES

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### BASES AND ASSUMPTIONS

The business objectives of the Company stated above are subject to the following bases and assumptions:

1. there will be no material change (whether in the PRC, Hong Kong or any other parts of the world) in the existing laws, policies or industry or regulatory treatments relating to the Company or in the political, economic or market conditions in which the Company operates;
2. there will be no material change on anticipated market demand and the future growth of oil well pipe products and related accessories;
3. the Company will not be materially and/or adversely affected by any change in interest rates from those currently prevailing;
4. suitable personnel can be recruited and retained by the Company;
5. the Company will not be materially and/or adversely affected by any change in PRC tax system;
6. there will be no disaster, natural, political or otherwise, which would materially disrupt the business or operations of the Company or cause substantial loss, damage or destruction to its properties or facilities;
7. the Company will not be materially affected by the risk factors as set out under the section headed "Risk factors" in this prospectus; and
8. the Company can succeed in implementing the development plans.