China Liansu Group Holdings Limited
中國聯塑集團控股有限公司*

(Incorporated in the Cayman Islands with limited liability)
Stock code: 2128

GLOBAL OFFERING

Joint Global Coordinators and Joint Sponsors
(in alphabetical order)

J.P.Morgan UBS Investment Bank

Joint Bookrunners and Joint Lead Managers
(in alphabetical order)

J.P.Morgan UBS Investment Bank

* For identification purposes only

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

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CHINA LIANSU GROUP HOLDINGS LIMITED
中國聯塑集團控股有限公司*

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Global Offering

Total number of Offer Shares under the Global Offering	:	**750,000,000 Shares (subject to the Over-allotment Option)**
Number of Hong Kong Public Offer Shares	:	**75,000,000 Shares (subject to adjustment)**
Number of International Offer Shares	:	**675,000,000 Shares (subject to adjustment and the Over-allotment Option)**
Offer Price	:	**Not more than HK$3.50 per Share and expected to be not less than HK$2.60 per Share, plus brokerage of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005% (payable in full on application and subject to refund)**
Nominal value	:	**HK$0.05 per Share**
Stock code	:	**2128**

Joint Global Coordinators and Joint Sponsors
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Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus. A copy of this prospectus, having attached thereto the documents specified in "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix VII to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies Ordinance. The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus.

The Offer Price is expected to be fixed by agreement between the Joint Global Coordinators, on behalf of the Underwriters, and our Company on or before Tuesday, 15 June 2010 or such later time as may be agreed between the parties, but in any event, no later than Sunday, 20 June 2010. If, for any reason, the Joint Global Coordinators, on behalf of the Underwriters, and our Company are unable to reach an agreement on the Offer Price by Sunday, 20 June 2010, the Global Offering will not become unconditional and will lapse immediately. The Offer Price will be not more than HK$3.50 per Share and is expected to be not less than HK$2.60 per Share although the Joint Global Coordinators, on behalf of the Underwriters, and our Company may agree to a lower price. The Joint Global Coordinators, on behalf of the Underwriters, may, with the consent of our Company, reduce the indicative Offer Price range below that stated in this prospectus (being HK$2.60 per Share to HK$3.50 per Share) at any time on or prior to the morning of the last date for lodging applications under the Hong Kong Public Offering. In such a case, notices of the reduction in the number of Hong Kong Public Offer Shares and/or the indicative Offer Price range will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the websites of the Stock Exchange at **www.hkexnews.hk** and our Company at **www.liansu.com** as soon as practicable but in any event not later than the morning of the day which is the latest day for lodging applications under the Hong Kong Public Offering. For further information, see the sections headed "Structure and Conditions of the Global Offering" and "How to Apply for the Hong Kong Public Offer Shares" in this prospectus.

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

Pursuant to the termination provisions contained in the Hong Kong Underwriting Agreement in respect of the Hong Kong Public Offer Shares, the Joint Global Coordinators, on behalf of the Hong Kong Underwriters, have the right in certain circumstances, in their absolute discretion, to terminate the obligation of the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement at any time prior to 8:00 a.m. on the Listing Date. Further details of the terms of the termination provisions are set out in the section headed "Underwriting — Grounds for Termination". It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the US Securities Act and may not be offered or sold, pledged or transferred within the United States or to, or for the account or benefit of, US persons, except that the Offer Shares may be offered, sold or delivered to QIBs in reliance on Rule 144A or other exemption(s) from registration under the US Securities Act or outside the United States in reliance on Regulation S under the US Securities Act.

** For identification purposes only*

9 June 2010

Latest time to complete electronic applications under the **White Form eIPO** service through the designated website at **www.eipo.com.hk** (*note 3*)	11:30 a.m. on Monday, 14 June 2010
Application lists for the Hong Kong Public Offering open *(note 2)*	11:45 a.m. on Monday, 14 June 2010
Latest time for lodging **WHITE** and **YELLOW** Application Forms and giving **electronic application instructions** to HKSCC *(note 7)*	12:00 noon on Monday, 14 June 2010
Latest time to complete payment of **White Form eIPO** applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Monday, 14 June 2010
Application lists close *(note 2)*	12:00 noon on Monday, 14 June 2010
Expected Price Determination Date *(note 4)*	Tuesday, 15 June 2010
Announcement of the Offer Price, the level of applications in the Hong Kong Public Offering, the level of indications of interest in the International Placing and the basis of allocation of the Hong Kong Public Offer Shares to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the websites of the Stock Exchange at **www.hkexnews.hk** and our Company at **www.liansu.com** on or before *(note 5)*	Tuesday, 22 June 2010
Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels. (See the section headed "How to Apply for the Hong Kong Public Offer Shares — Results of allocations") from	Tuesday, 22 June 2010
Results of allocations for the Hong Kong Public Offering will be available at **www.iporesults.com.hk** with a "search by ID" function	Tuesday, 22 June 2010
Share certificates (if applicable) in respect of wholly or partially successful applications to be despatched on or before	Tuesday, 22 June 2010
White Form e-Refund payment instructions/Refund cheques in respect of wholly successful (if applicable) or wholly or partially unsuccessful applications to be despatched on or before *(note 6)*	Tuesday, 22 June 2010
Dealings in Shares on the Stock Exchange to commence on	Wednesday, 23 June 2010

Notes:

(1) All times refer to Hong Kong local time. Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure and Conditions of the Global Offering".

(2) If there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, 14 June 2010, the application lists will not open on that day. Further information is set out in the section headed "How to Apply for the Hong Kong Public Offer Shares — Effect of bad weather on the opening of the application lists".

(3) You will not be permitted to submit your application through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(4) The Offer Price is expected to be determined by Tuesday, 15 June 2010, but in any event, the expected time for determination of the Offer Price will not be later than Sunday, 20 June 2010. If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators, on behalf of the Underwriters, and our Company by Sunday, 20 June 2010, the Global Offering will not proceed.

(5) If the Offer Price is determined on Tuesday, 15 June 2010, the announcement of the Offer Price, the level of applications in the Hong Kong Public Offering, the level of indications of interest in the International Placing and the basis of allocation of the Hong Kong Public Offer Shares and the successful applicants' identification document numbers will be published on or before Tuesday, 22 June 2010.

(6) Applicants who apply for 1,000,000 Hong Kong Public Offer Shares or more under the Hong Kong Public Offering and have indicated on their Application Forms that they wish to collect any refund cheque(s) (if applicable) and/or Share certificate(s) (if applicable) in person from our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, may do so in person from 9:00 a.m. to 1:00 p.m. on Tuesday, 22 June 2010. Applicants being individuals who are applying for 1,000,000 Hong Kong Public Offer Shares or more and opt for personal collection must not authorize any other person to make collection on their behalf. Applicants being corporations who are applying for 1,000,000 Hong Kong Public Offer Shares or more and opt for personal collection must attend by their authorized representatives bearing letters of authorization from their corporations stamped with the corporations' chop. Identification and (where applicable) authorization documents acceptable to our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, must be produced at the time of collection. Uncollected Share certificates and refund cheques will be despatched by ordinary post at the applicants' own risk to the addresses specified on the relevant Application Forms. Further details are set out in the paragraphs headed "If your application for the Hong Kong Public Offer Shares is successful (in whole or in part)" and "Refund of your application monies — additional information" in the section headed "Terms and Conditions of the Hong Kong Public Offering".

(7) Applicants who apply for Hong Kong Public Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed "How to Apply for the Hong Kong Public Offer Shares — Applying by giving electronic application instructions to HKSCC" for details.

Share certificates for the Hong Kong Public Offer Shares are expected to be issued on Tuesday, 22 June 2010, but will only become valid certificates of title at 8:00 a.m. on the Listing Date, provided that (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in the section headed "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Hong Kong Underwriting Agreement — Grounds for Termination" has not been exercised. Investors who trade Shares on the basis of publicly available allocation details before the receipt of Share certificates and before they become valid do so entirely at their own risk.

For details of the structure of the Global Offering, including the conditions thereof, please refer to the section headed "Structure and Conditions of the Global Offering".

This prospectus is issued by our Company solely in connection with the Hong Kong Public Offering and the Hong Kong Public Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Public Offer Shares. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. Our Company has not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus or the Application Forms must not be relied on by you as having been authorized by our Company, any of the Joint Sponsors, any of the Joint Global Coordinators, any of the Underwriters, any of our or their respective directors, officers, representatives, or affiliates, or any other person or party involved in the Global Offering. Information contained in our website, located at ***www.liansu.com****, does not form part of this prospectus.*

CONTENTS

This summary aims to give you an overview of the information contained in this prospectus and should be read in conjunction with the full text of this prospectus. Since this is a summary, it does not contain all the information that may be important to you. You should read the whole prospectus, including our financial statements and the accompanying notes, before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks of investing in the Offer Shares are set forth in the section headed "Risk Factors". You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are a manufacturer of plastic pipes and pipe fittings in China. We currently have 11 operational production facilities for plastic pipes and pipe fittings that are strategically located across China. Through these facilities and our sales network which consists of 29 sales offices and over 600 independent distributors, we cover customers across China.

Range of products. We offer a comprehensive range of plastic pipes and pipe fittings. We are able to produce over 70 series and over 7,000 specifications of plastic pipes and pipe fittings with dimensions generally ranging from 16 mm to 3,000 mm in diameter. We primarily use PVC, PE, PP-R and other plastic resins to manufacture our products. Our plastic pipes and pipe fittings are used in a variety of piping systems, including those used for water supply, drainage, power supply and telecommunications, agriculture, gas supply, floor heating and fire-fighting. In addition, we provide our customers with a range of ancillary services, including pre-sale consultation, after-sales services, on-site guidance and technical support.

Production facilities. We have a geographically-diverse network of production facilities in China. As of the Latest Practicable Date, we had 11 operational production facilities for plastic pipes and pipe fittings located in eight provinces across China. For the years ended 31 December 2007, 2008 and 2009, the effective annual production capacity of our production facilities was 298,100 tonnes, 426,000 tonnes and 661,800 tonnes of plastic pipes and pipe fittings, respectively. For the years ended 31 December 2007, 2008 and 2009, our production facilities for plastic pipes and pipe fittings achieved an average utilization rate of 86.1%, 87.6% and 87.5%, respectively, as calculated by actual production volume of such production facilities as of the end of the respective year divided by their effective annual production capacity.

We have expanded our production capacity throughout the Track Record Period to try to capture the growing demand for our products and increase our market share. We completed a major capacity expansion at our Guangdong facility in 2008. We commenced operations at our new facilities in Hebei and Henan in 2008 and in Sichuan and Nanjing in 2009. As of 31 December 2009, the design annual production capacity of our production facilities was approximately 905,700 tonnes of plastic pipes and pipe fittings. We are in the process of constructing two additional production facilities: (1) one in Urumqi, which is expected to become operational in the fourth quarter of 2010 with a design annual production capacity of approximately 12,000 tonnes and which we plan to increase to 22,000 tonnes and 34,000 tonnes by 2011 and 2012, respectively, and (2) another in Changchun, which is expected to become operational in the first quarter of 2011 with a design annual production capacity of approximately 33,300 tonnes and which we plan to increase to 66,300 tonnes by 2012. The total costs incurred as of 31 March 2010 for our facilities in Urumqi and Changchun were RMB54.5 million and RMB72.2 million, respectively. We intend to primarily use our cash flows from operations, cash on hand and banking facilities to settle the remainder of these expenditures for these facilities by the end of 2012. Once the Urumqi and Changchun production facilities are operational, we expect to be able to better cover each of our seven geographic sales regions in China (consisting of Southern China, Central China, Northern China, Southwestern China, Eastern China, Northeastern China and Northwestern China) through our production facilities. See "Financial Information — Principal Income Statement Components — Revenue" for additional information on our geographic sales segments.

We also plan to expand our current operational production facilities and construct new production facilities in various regions in China in order to maintain our leading industry position and better meet the demands of both our existing customers and potential new customers. We plan to add design annual production capacity of approximately 245,000 tonnes, 370,000 tonnes and 330,000 tonnes in 2010, 2011 and 2012, respectively.

The following table sets out particulars of our expansion plan for production facilities up to 2012, subject to market conditions and demand for our products at the relevant times:

			Planned increase of design annual production capacity by 31 December			Status of expansion of existing production plant	Status of construction of new production plant		
Location	Facility	Expected total capital expenditure (RMB million)	2010 (tonnes)*	2011 (tonnes)*	2012 (tonnes)*	Commencement of operation of additional capacity at existing production plant	Actual or expected commencement of construction	Completion of construction and commencement of operation	Status as of the Latest Practicable Date
Southern China	Guangdong Liansu Technology[1] and Guangdong Liansu Municipal[1]	912.5	45,000			N/A	1st quarter of 2009	3rd quarter of 2010	A new production plant with a gross floor area of 22,253.35 m^2 is under construction on existing land. We have obtained the necessary approvals for commencement of construction.
				90,000		N/A	2nd quarter of 2011	4th quarter of 2011	We plan to construct a new production plant on existing land and are in the process of preparing the feasibility report. No approvals have yet been obtained.
					60,000	N/A	4th quarter of 2011	4th quarter of 2012	We plan to seek suitable land close to our current production facilities in Guangdong. On the assumption that we are able to obtain such land, we plan to construct a new production plant in the 4th quarter of 2011. No approvals have yet been obtained and no feasibility report has yet been prepared.
	Heshan Liansu[1]	250.9	28,000			N/A	2nd quarter of 2009	4th quarter of 2010	A new production plant with a gross floor area of 17,674 m^2 is under construction on existing land. We have obtained the necessary approvals for commencement of construction.
				22,000[3]		2nd quarter of 2011	N/A	N/A	Preparatory works have not yet commenced.
					10,000	N/A	4th quarter of 2011	3rd quarter of 2012	We plan to construct a new production plant on existing land. No approvals have yet been obtained and no feasibility report has yet been prepared.
Central China	Wuhan Liansu [1]	151.9	25,000			N/A	3rd quarter of 2009	2nd quarter of 2010	A new production plant with a gross floor area of 33,593.1 m^2 is under construction on existing land. We have obtained the necessary approvals for commencement of construction.
				12,200[3]		1st quarter of 2011	N/A	N/A	Preparatory works have not yet commenced.
					32,200	N/A	2nd quarter of 2011	1st quarter of 2012	We plan to seek suitable land close to our current production facilities. On the assumption that we are able to obtain such land, we plan to construct a new production plant in the 2nd quarter of 2011. No approvals have yet been obtained and no feasibility report has yet been prepared.
	Henan Liansu[1]	168.4	27,000[3]			3rd quarter of 2010	N/A	N/A	We participated in an auction and was successful in our bid for the land and the production plant in Henan which we leased before.
				46,000[3]		4th quarter of 2011	N/A	N/A	Preparatory works have not yet commenced.
Northern China	Hebei Liansu[1]	129.0	20,000[3]			4th quarter of 2010	N/A	N/A	Preparatory works have not yet commenced.
				45,600[3]		2nd quarter of 2011	N/A	N/A	Preparatory works have not yet commenced.
					30,000	N/A	3rd quarter of 2011	3rd quarter of 2012	We plan to construct a new production plant on existing land. No approvals have yet been obtained and no feasibility report has yet been prepared.
Southwestern China	Guiyang Liansu[1]	160.9	49,600[3]			2nd quarter of 2010	N/A	N/A	We have purchased and are in the process of installing and testing equipment and machines.
				36,700[3]		3rd quarter of 2011	N/A	N/A	Preparatory works have not yet commenced.
					4,400[3]	4th quarter of 2012	N/A	N/A	Preparatory works have not yet commenced.

Location	Facility	Expected total capital expenditure (RMB million)	Planned increase of design annual production capacity by 31 December: 2010 (tonnes)*	2011 (tonnes)*	2012 (tonnes)*	Status of expansion of existing production plant: Commencement of operation of additional capacity at existing production plant	Status of construction of new production plant: Actual or expected commencement of construction	Completion of construction and commencement of operation	Status as of the Latest Practicable Date
	Sichuan Liansu[1]	276.8	14,100[3]			4th quarter of 2010	N/A	N/A	Preparatory works have not yet commenced.
					41,000	N/A	4th quarter of 2011	4th quarter of 2012	We are actively seeking suitable land close to our current production facilities in Sichuan. On the assumption that we are able to obtain such land, we plan to construct a new production plant in the second half of 2011. We are preparing a feasibility report. No approvals have yet been obtained.
Eastern China	Nanjing Liansu[1]	198.8	10,000[3]			4th quarter of 2010	N/A	N/A	Preparatory works have not yet commenced.
				64,500[3]		2nd quarter of 2011	N/A	N/A	Preparatory works have not yet commenced.
					44,400	N/A	3rd quarter of 2011	2nd quarter of 2012	We plan to construct a new production plant on existing land. No approvals have yet been obtained and no feasibility report has yet been prepared.
Northeastern China	Daqing Liansu[1]	147.5	14,300			N/A	2nd quarter of 2009	4th quarter of 2010	A new production plant with a gross floor area of 26,712 m^2 is under construction on existing land. We have obtained the necessary approvals for commencement of construction.
				9,700[3]		4th quarter of 2011	N/A	N/A	Preparatory works have not yet commenced.
					18,000	N/A	3rd quarter of 2011	3rd quarter of 2012	We plan to construct a new production plant on existing land. No approvals have yet been obtained and no feasibility report has yet been prepared.
	Changchun Liansu[2]	198.1		33,300		N/A	3rd quarter of 2009	1st quarter of 2011	We have acquired the land and a new production facility is under construction. We have obtained necessary approvals for commencement of construction and have applied for and are in the process of obtaining the requisite environmental approvals.
					33,000[3]	4th quarter of 2012	N/A	N/A	Preparatory works have not yet commenced.
Northwestern China	Urumqi Liansu[2]	135.2	12,000			N/A	3rd quarter of 2009	4th quarter of 2010	We have acquired the land and a new production facility is under construction. We have obtained the necessary approvals for commencement of construction and have applied for and are in the process of obtaining the requisite environmental approvals.
				10,000[3]		4th quarter of 2011	N/A	N/A	Preparatory works have not yet commenced.
					12,000	N/A	1st quarter of 2012	4th quarter of 2012	We plan to construct a new production plant on existing land. No approvals have yet been obtained and no feasibility report has yet been prepared.
	A new facility in Shaanxi	520.0			45,000	N/A	3rd quarter of 2011	4th quarter of 2012	We are actively seeking suitable land in Shaanxi. On the assumption that we are able to obtain such land, we plan to construct a new production plant in the 4th quarter of 2011. We are preparing the feasibility report. No approvals have yet been obtained.
Total:		3,250.0	245,000	370,000	330,000				

* Refers to additional design annual production capacity calculated on the basis that the relevant production facility was operating 24 hours a day and 330 days for the entire year.

Note 1: Current operational production facilities.

Note 2: New production facilities under construction.

Note 3: Additional capacity expected to be added to existing production plant.

We expect the total estimated expenditures for such expansion to be approximately RMB3,250 million, of which approximately RMB837 million is expected to be used for purchase of land use rights, approximately RMB1,318 million is expected to be used for construction of new factory buildings and approximately RMB1,095 million is expected to be used for purchasing production machines and equipment. We have spent in total RMB355 million on the above expansion plans up to 31 March 2010. We plan to spend an additional RMB455 million, RMB1,500 million and RMB940 million on such expansion plans for the years ending 31 December 2010, 2011 and 2012, respectively. We intend to use part of the net proceeds from the Global Offering as well as our bank facilities and cash flows from operations to cover such estimated expenditures.

As detailed in the "Industry Overview" section, Market Avenue expects the demand for plastic pipes in China to continue to grow in the next five years. Being a leading player in the industry, and with our experienced management team, research and development capabilities, well-established relationship with our major suppliers and customers, and quality of our products, our Directors believe that we are well-positioned to capture such potential growth. The Directors are of the view that our expansion plans will further strengthen our market position and enhance our ability to further increase market share, particularly in regions where we have not yet obtained significant market shares. Prior to investing in new production facilities in such regions, such as Urumqi and Changchun, we will establish sales offices, sales teams and distributor networks in these regions, and rely on relationships with some direct customers to generate initial demand for our products in these regions. Additional capacity will then be added when our management sees growth in demand in the target regional markets.

Our management team is experienced in managing rapid business growth as we increased the effective annual production capacity of our production facilities from 298,100 tonnes in 2007 to 661,800 tonnes in 2009. Each of our current operational production facilities has its own separate management team for daily operation. To support our expansion, we have recruited and will continue to recruit and train appropriate management and operational staff. See "Business — Production Facilities and Production Process — Production Facilities" for further details on our expansion plan.

The Chinese government has placed increasing focus on the application of plastic pipes. We believe this increasing focus is due to the attractive qualities of plastic pipes as compared to pipes made from traditional materials such as concrete and metal. As advised by our PRC legal adviser, Jun He Law Offices, our business is not within a restricted industry under the Foreign Investment Industry Guidance Catalog jointly issued by the MOC and NDRC in 2007. We have not encountered any material difficulty in the expansion of our production facilities during the Track Record Period, and to the best of our knowledge based on the prevailing facts and circumstances, we are not aware of any material difficulties for our future expansion under current PRC rules and regulations.

According to CPPIA, we were the largest manufacturer of plastic pipes and pipe fittings in China in terms of sales revenue in 2008.

Business model. We sell our products both directly to our customers (such as government entities, utility companies and real estate developers) and through independent distributors. As of the Latest Practicable Date, we had a nationwide sales network of over 600 independent distributors, which were supported by regional sales teams located at 29 sales offices across China. For the years ended 31 December 2007, 2008 and 2009, revenue generated by direct sales to customers accounted for 54.9%, 53.8% and 45.9% of our total revenue, respectively, while revenue generated by sales to distributors accounted for 45.1%, 46.2% and 54.1% of our total revenue, respectively.

We typically enter into agreements with our distributors, pursuant to which we generally grant the distributor a non-exclusive right to distribute certain types of our products in a specified geographical area and set annual sales targets for each distributor. The agreements generally have one-year terms, subject to renewal by mutual agreement. Payment on or before delivery is generally required. Return of products is permitted under these agreements only by mutual agreement or if our products are defective. The terms of the distribution agreements are generally the same for each distributor, other than annual sales targets which may differ for different distributors and the relevant specified geographical areas. In addition to sales through our distribution network, we also make direct sales to customers. For further details, see "Business — Sales, Marketing and Distribution — Direct Customers".

Our plastic pipe products are sold under our Liansu brand. We believe that the Liansu brand has become a recognized brand name in China. In 2005, our Liansu brand was recognized as a "China Well-known Trademark" (中國馳名商標) by the Trademark Office of the State Administration for Industry and Commerce of the People's Republic of China (中華人民共和國國家工商行政管理總局商標局).

Research and development. We believe our research and development capabilities have been one of our primary competitive strengths. Guangdong Liansu Technology and Wuhan Liansu, our wholly-owned subsidiaries, were recognized as "High and New Technology Enterprises" (高新技術企業) by the respective provincial science and technology department (科學技術廳), finance bureau (財政廳), office of state administration of taxation (國家稅務局) and local taxation bureau (地方稅務局) in Guangdong and Hubei in 2008 and 2009, respectively. Our research and development team consisted of 604 experienced engineers and other technical and professional staff as of 31 March 2010. In addition, we have an advanced research and development center and a post-doctoral work station at our Shunde facility. For the years ended 31 December 2007, 2008 and 2009, we spent RMB11.6 million, RMB11.2 million and RMB20.8 million, respectively, on research and development.

Financial results. We have achieved significant revenue and earnings growth in recent years. For the years ended 31 December 2007, 2008 and 2009, we had revenue of RMB2,618.2 million, RMB3,618.5 million and RMB5,322.2 million, respectively, representing a CAGR of 42.6% from 2007 to 2009. Our net profit for the same periods was RMB81.5 million, RMB135.9 million and RMB644.0 million, respectively, representing a CAGR of 181.1% from 2007 to 2009. Our overall gross profit margin increased from 12.7% in 2007 to 13.9% in 2008 as a result of a decrease of 2.1% in our raw material costs as a percentage of our revenue due to the improvement in production efficiencies, which was partially offset by an increase of 1.0% in our labor costs as a percentage of our revenue. Our overall gross profit margin increased from 13.9% in 2008 to 22.8% in 2009 as a result of raw material prices decreasing more than our average selling price in 2009, the continued improvement in our production efficiencies and economies of scale. We attribute such growth to our extensive production and sales networks, our comprehensive product offerings, our strong brand recognition, our research and development capabilities and our experienced management.

As of 31 December 2007, 2008 and 2009, our bank borrowings amounted to RMB598.6 million, RMB468.7 million and RMB1,309.7 million, respectively. The increase in our bank borrowings from 2008 to 2009 was primarily due to increased investments in production facilities and the replacement of financing provided by related parties that had been repaid in preparation for this Global Offering. We intend to use approximately 15% of the net proceeds from the Global Offering to repay a portion of our bank loans, with the remaining outstanding amount to be repaid from our own operating cash flows.

COMPETITIVE STRENGTHS

We attribute our success to the following key competitive strengths:

- We are an established market leader with large-scale operations and are able to cover our customers across China through our extensive production and sales networks
- We offer a comprehensive range of quality plastic pipes and pipe fittings
- We have strong brand recognition
- We have customer-oriented research and development capabilities
- We have an experienced, professional and dedicated management team

BUSINESS STRATEGIES

Our objectives are to further expand our market share and strengthen our leading position in China's plastic pipe industry. We aim to accomplish this through the following strategies:

- Continue to expand our market share by increasing our production scale and enhancing our marketing efforts
- Continue to refine our product portfolio and improve our production efficiency through our research and development capabilities
- Continue to strengthen our brand recognition
- Continue to recruit and retain employees experienced in management, technology, sales and marketing

OUR SALES

Substantially all of our revenue is derived from sales of plastic pipes and pipe fittings. We also sell a small amount of ancillary materials such as springs for connecting plastic pipes.

The following table sets forth a breakdown of our sales volume and revenue by products for the periods indicated:

	Year ended 31 December								
	2007			2008			2009		
	Sales Volume (tonnes)	Revenue (RMB million)	% of total revenue	Sales Volume (tonnes)	Revenue (RMB million)	% of total revenue	Sales Volume (tonnes)	Revenue (RMB million)	% of total revenue
Plastic pipes and pipe fittings	255,891	2,538.2	96.9%	334,802	3,569.4	98.6%	566,229	5,277.3	99.2%
Others[(1)]	N/A	80.0	3.1%	N/A	49.1	1.4%	N/A	44.9	0.8%
Total	255,891	2,618.2	100.0%	334,802	3,618.5	100.0%	566,229	5,322.2	100.0%

Note:

1. "Others" consists of ancillary materials such as springs for connecting plastic pipes. Sales volume for "others" are measured in units and not tonnes, and the size of the units between different products may differ.

The following table sets forth a breakdown of our sales volume, revenue and average selling prices for plastic pipes and pipe fittings by product category for the periods indicated:

	Year ended 31 December											
	2007				2008				2009			
	Sales Volume (tonnes)	Revenue (RMB million)	% of total revenue	Average selling price[(1)] (RMB)	Sales Volume (tonnes)	Revenue (RMB million)	% of total revenue	Average selling price[(1)] (RMB)	Sales Volume (tonnes)	Revenue (RMB million)	% of total revenue	Average selling price[(1)] (RMB)
Water supply	81,341	1,157.9	45.6%	14,235.1	93,522	1,514.2	42.4%	16,190.8	156,528	2,139.0	40.5%	13,665.3
Drainage	103,128	849.0	33.4%	8,232.5	136,337	1,193.5	33.4%	8,754.0	252,812	1,921.5	36.5%	7,600.5
Power supply and telecommunications	62,659	424.6	16.7%	6,776.4	82,097	638.7	17.9%	7,779.8	128,788	962.8	18.2%	7,475.9
Gas supply	1,844	39.2	1.6%	21,258.1	2,993	61.2	1.7%	20,447.7	5,011	87.0	1.6%	17,361.8
Others[(2)]	6,919	67.5	2.7%	9,755.7	19,853	161.8	4.6%	8,149.9	23,090	167.0	3.2%	7,232.6
Total[(3)]	255,891	2,538.2	100.0%	9,919.1	334,802	3,569.4	100.0%	10,661.2	566,229	5,277.3	100.0%	9,320.1

Notes:

1. Average selling price represents revenue for the product category divided by volume in tonnes of products sold for that category during the year.

2. "Others" comprises agriculture, floor heating and fire-fighting. We did not produce products in the floor heating and fire-fighting categories until 2008.

3. The total amount does not include revenue generated by the sale of ancillary products such as springs for connecting plastic pipes.

The following table sets forth a breakdown of our sales volume, revenue and average selling price for plastic pipes and pipe fittings by sales region for the periods indicated:

	2007				2008				2009			
	Sales volume (tonnes)	Revenue (RMB million)	% of total revenue	Average selling price(1) (RMB)	Sales volume (tonnes)	Revenue (RMB million)	% of total revenue	Average selling price(1) (RMB)	Sales volume (tonnes)	Revenue (RMB million)	% of total revenue	Average selling price(1) (RMB)
Southern China	163,816	1,672.0	65.9%	10,206.6	223,242	2,371.9	66.5%	10,624.8	395,270	3,682.9	69.8%	9,317.4
Southwestern China	29,505	281.5	11.1%	9,540.8	38,009	396.5	11.1%	10,431.7	53,831	487.5	9.2%	9,056.1
Central China	25,887	209.5	8.2%	8,092.9	31,685	310.0	8.7%	9,783.8	56,508	482.5	9.1%	8,538.6
Northern China	15,425	128.8	5.1%	8,350.1	18,307	193.9	5.4%	10,591.6	26,380	268.6	5.1%	10,182.0
Eastern China	12,129	119.7	4.7%	9,868.9	13,266	141.5	4.0%	10,666.4	17,363	167.9	3.2%	9,670.0
Northwestern China	4,233	45.2	1.8%	10,678.0	4,511	58.5	1.6%	12,968.3	8,728	89.5	1.7%	10,254.4
Northeastern China	2,812	48.5	1.9%	17,247.5	3,208	52.5	1.5%	16,365.3	6,036	72.2	1.4%	11,961.6
Outside China	2,084	33.0	1.3%	15,834.9	2,574	44.6	1.2%	17,327.1	2,113	26.2	0.5%	12,399.4
Total(2)	255,891	2,538.2	100.0%	9,919.1	334,802	3,569.4	100.0%	10,661.2	566,229	5,277.3	100.0%	9,320.1

Notes:

1. Average selling price represents revenue from sales to customers in the specified geographic region divided by volume in tonnes of products sold in that region during the year.

2. The total amount does not include revenue generated by the sale of ancillary products such as springs for connecting plastic pipes.

SUMMARY FINANCIAL INFORMATION

The following tables present summary financial information for the years ended 31 December 2007, 2008 and 2009 and should be read in conjunction with our financial information included in the accountants' report set forth in Appendix I to this prospectus, including the notes thereto.

Consolidated statements of comprehensive income

	Year ended 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
CONTINUING OPERATIONS			
REVENUE	2,618,248	3,618,526	5,322,244
Cost of sales	(2,285,404)	(3,114,419)	(4,109,005)
Gross profit	332,844	504,107	1,213,239
Other revenue, income and gains	3,148	21,717	22,876
Selling and distribution costs	(110,203)	(161,853)	(198,509)
Administrative expenses	(80,985)	(106,571)	(163,554)
Other operating expenses, net	(16,595)	(17,659)	(38,163)
Finance costs	(27,460)	(45,894)	(36,475)
Share of losses of a jointly-controlled entity	(4,506)	(4,969)	—
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	96,243	188,878	799,414
Income tax expense	(16,938)	(34,221)	(155,443)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	79,305	154,657	643,971
DISCONTINUED OPERATIONS			
Profit/(loss) for the year from discontinued operations	2,175	(18,743)	—
PROFIT FOR THE YEAR	81,480	135,914	643,971
OTHER COMPREHENSIVE INCOME			
Exchange differences on translation of foreign operations	12,197	14,237	972
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	93,677	150,151	644,943
Profit for the year attributable to:			
Owners of the Company	75,360	135,481	643,971
Non-controlling interests	6,120	433	—
	81,480	135,914	643,971
Total comprehensive income attributable to:			
Owners of the Company	87,557	149,718	644,943
Non-controlling interests	6,120	433	—
	93,677	150,151	644,943

Discontinued operations as set out above consisted of certain property development and investment, plastic extrusion equipment manufacturing and plastic polymers trading businesses that we had disposed of in 2008. See "Appendix VI — Statutory and General Information — Further Information about our Group — Reorganization" and notes 11 and 30 to section II of the accountants' report included as Appendix I to this prospectus.

Consolidated statements of financial position

	As of 31 December		
	2007	**2008**	**2009**
	RMB'000	**RMB'000**	**RMB'000**
NON-CURRENT ASSETS			
Property, plant and equipment	547,576	734,844	1,302,735
Investment properties	78,483	—	—
Prepaid land lease payments	111,277	176,894	205,516
Other intangible assets	99	1,052	1,138
Deposits paid for the purchase of property, plant and equipment	57,020	34,097	26,248
Interest in a jointly-controlled entity	40,700	—	—
Deferred tax assets	1,439	1,535	7,314
Total non-current assets	836,594	948,422	1,542,951
CURRENT ASSETS			
Inventories	451,303	584,131	743,507
Trade and bills receivables	237,409	203,247	466,735
Prepayments, deposits and other receivables	307,731	238,524	257,938
Amounts due from related companies	17,584	16,304	720
Restricted cash	10,909	2,780	125,133
Cash and cash equivalents	186,637	135,947	361,767
Total current assets	1,211,573	1,180,933	1,955,800
CURRENT LIABILITIES			
Trade and bills payables	199,040	39,667	232,702
Other payables and accruals	519,246	447,630	501,547
Interest-bearing bank loans	510,600	416,700	427,527
Amounts due to directors	429,802	492,772	263,798
Amounts due to related companies	34,398	226,045	15,693
Tax payable	17,803	19,034	73,770
Total current liabilities	1,710,889	1,641,848	1,515,037
NET CURRENT ASSETS/(LIABILITIES)	(499,316)	(460,915)	440,763

	As of 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES	337,278	487,507	1,983,714
NON-CURRENT LIABILITIES			
Interest-bearing bank loans	88,000	52,000	882,150
Deferred tax liabilities	—	11,393	41,749
Deferred income	—	—	17,827
Total non-current liabilities	88,000	63,393	941,726
Net assets	249,278	424,114	1,041,988
EQUITY			
Equity attributable to owners of the Company			
Share capital	—	—	352
Reserves	244,075	424,114	1,041,636
	244,075	424,114	1,041,988
Non-controlling interests	5,203	—	—
Total equity	249,278	424,114	1,041,988

Condensed consolidated statements of cash flows

	Year ended 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Cash and cash equivalents at beginning of year	73,326	186,637	135,947
Net cash flows from operating activities	8,966	44,750	608,273
Net cash flows used in investing activities	(197,920)	(287,222)	(723,980)
Net cash flows from financing activities	307,801	190,663	341,382
Net increase/(decrease) in cash and cash equivalents	118,847	(51,809)	225,675
Effect of exchange rate changes, net	(5,536)	1,119	145
Cash and cash equivalents at end of year	186,637	135,947	361,767

USE OF PROCEEDS

The Directors believe that the Global Offering will help raise our corporate profile, strengthen our capital base and fund the implementation of our business strategies.

The net proceeds of the Global Offering are estimated to be approximately HK$2,166.9 million, before exercise of the Over-allotment Option, after deducting underwriting commission and other estimated expenses in connection with the Global Offering and assuming an Offer Price of HK$3.05 per Share, being the mid-point of the stated range of the Offer Price. The Directors intend to use such net proceeds as follows:

- approximately 55% (HK$1,191.8 million) to expand our existing production facilities, comprising approximately 2% (HK$43.3 million) for purchasing land use rights, approximately 21% (HK$455.1 million) for constructing production facilities and approximately 32% (HK$693.4 million) for purchasing production machines and equipment. See "Business — Production Facilities and Production Process — Production Facilities" for further details on our expansion plan;

- approximately 15% (HK$325.0 million) to expand our operations by acquiring companies with growth potential and reputable plastic pipe manufacturing operations. As of the Latest Practicable Date, we had not identified any specific acquisition target;

- approximately 15% (HK$325.0 million) to repay a portion of our bank loans with current interest rates ranging from 1.67% to 5.84% per annum with maturity dates falling between July 2010 and December 2011. These bank loans were for working capital purposes. Of the HK$325.0 million, we intend to use HK$200 million to repay a portion of our bank loans immediately after the completion of the Global Offering and the balance to repay another portion of our bank loans with maturity dates falling between April to December 2011 as and when such bank loans become due;

- approximately 5% (HK$108.4 million) to invest in research and development to further expand our product portfolio and enhance product design and functionality; and

- approximately 10% (HK$216.7 million) to fund working capital and other general corporate purposes.

If the Offer Price is set at the high-end of the proposed Offer Price range, the net proceeds that we estimate we would receive from the Global Offering (assuming that the Over-allotment Option is not exercised) will increase by approximately HK$327.3 million. In such event, we will increase the allocation of the net proceeds to the above purposes in the proportions stated above.

If the Offer Price is set at the low-end of the proposed Offer Price range, the net proceeds that we estimate we would receive from the Global Offering (assuming that the Over-allotment Option is not exercised) will decrease by approximately HK$327.3 million and we do not expect any change to our expansion and future plans as disclosed in this prospectus. In such event, we will reduce the net proceeds to be applied to (i) fund working capital and other general purposes by HK$216.7 million and (ii) acquire companies with growth potential and reputable plastic pipe manufacturing operations by HK$110.6 million. If the Offer Price is set below the mid-point but above the low-end of the proposed Offer Price range, the reduction in the net proceeds to be applied to these two purposes will be proportionally adjusted. To the extent that the net proceeds are not sufficient to fund our expansion and future plans, we intend to fund the balance through a variety of means including cash generated from our operations and bank financing. We currently believe that the net proceeds from the Global Offering, when combined with such alternate sources of financing, are sufficient for our expansion and future plans.

To the extent that the net proceeds of the Global Offering are not immediately applied for the above purposes, we will deposit the net proceeds into interest-bearing demand deposits with financial institutions.

Any additional net proceeds that we would receive from any exercise of the Over-allotment Option, in full or in part, at any price within the stated Offer Price range, will be applied to the repayment of bank loans and other general corporate purposes in an amount not exceeding 10% of the net proceeds received.

PROFIT FORECAST FOR THE SIX MONTHS ENDING 30 JUNE 2010

Our Directors forecast that, on the bases and assumptions set out in Appendix III to this prospectus and in the absence of unforeseen circumstances, our forecast consolidated profit attributable to the owners of our Company and our unaudited pro forma forecast earnings per Share for the six months ending 30 June 2010 will be as follows:

Forecast consolidated profit attributable to owners of the Company for the six months ending 30 June 2010 *(Notes 1 and 3)* ....not less than RMB435 million (approximately HK$496 million equivalent)

Unaudited pro forma forecast earnings per Share *(Notes 2 and 3)* ....not less than RMB14.5 cents (approximately 16.5 HK cents equivalent)

Notes:

1. The forecast consolidated profit attributable to owners of the Company for the six months ending 30 June 2010 is extracted from the profit forecast as set out in the subsection headed "Profit Forecast For the Six Months Ending 30 June 2010" under the section headed "Financial Information" in this prospectus. The bases on which the above profit forecast for the six months ending 30 June 2010 has been prepared are summarized in Appendix III to this prospectus.
2. The calculation of the unaudited pro forma forecast earnings per Share is based on the forecast consolidated profit attributable to owners of the Company for the six months ending 30 June 2010 and a total of 3,000,000,000 Shares were issued and outstanding during the entire year, adjusted, as if the Global Offering had occurred on 1 January 2010. This calculation assumes that the Over-allotment Option, any options granted under the Pre-IPO Share Option Scheme or any options that may be granted under the Share Option Scheme would not be exercised or any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandates given to our Directors to allot and issue or repurchase Shares.
3. The forecast consolidated profit attributable to owners of the Company and the unaudited pro forma forecast earnings per Share are converted into Hong Kong dollars at an exchange rate of HK$1.00 : RMB0.8773.

Pursuant to Rule 11.18 of the Listing Rules, we have undertaken to the Stock Exchange that our interim report for the six months ending 30 June 2010 will be audited.

DIVIDEND POLICY

We have not declared or paid any dividends since our Company's incorporation. Going forward, our Company currently intends to recommend an annual dividend commencing from the Listing Date of not less than 25% of our profits available for distribution in the relevant financial year for distribution to our Shareholders. However, the declaration or recommendation of, the payment and the amount of dividends will be subject to the discretion of the Board and will be dependent upon our future operations, earnings, financial condition, business needs, prospects, cash requirements and availability, contractual restrictions and other factors as the Board may deem relevant at such time. Final dividends, if any, on the outstanding Shares must be recommended by our Board and approved at our annual general meeting of Shareholders. In addition, the Board may declare interim dividends as appear to the Board to be justified by our profits. The payment and the amount of any dividends declared will be subject to our Articles and the Companies Law. We are entitled under our Articles and the Companies Law to pay dividends out of our share premium account provided that on the date the proposed dividend is to be paid we are able to pay our debts when they fall due in the ordinary course of business.

Dividends may be paid only out of our distributable profits as permitted under applicable laws. To the extent profits are distributed as dividends, these profits will not be available to be reinvested in our operations. There can be no assurance that we will be able to declare or distribute any dividend as intended, and no assurance can be made with respect to the amount of any dividend payment or the timing of any such payment. You should consider the risk factors affecting the Group contained in the section headed "Risk Factors" and the cautionary notice regarding forward-looking statements contained in the section headed "Forward-looking Statements".

Our ability to pay cash dividends will also depend upon the amount of distributions, if any, received by us from our operating subsidiaries. Under PRC law, dividends may be paid only out of distributable profits, which are the retained earnings of the relevant companies organized in the PRC. We will not ordinarily pay any dividends in a year in which we do not have any distributable earnings. We have been advised by our PRC legal adviser, Jun He Law Offices, that PRC laws and regulations currently provide for a withholding tax for dividends made to non-resident enterprise shareholders by companies considered to be PRC resident enterprises for tax purposes. Under our current corporate structure and PRC tax treaties that have been in effect since 1 January 2008, we are taxed at a 5% withholding tax rate on our distributable profits generated from our PRC subsidiaries. See "Financial Information — Principal Income Statement Components — Income Tax."

OFFER STATISTICS

	Based on an Offer Price of HK$2.60	Based on an Offer Price of HK$3.50
Market capitalization of the Shares(1)	HK$7,800.0 million	HK$10,500.0 million
Price/earnings multiple(2)	10.6 times	14.3 times
Unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Company per Share(3&4)	RMB0.88 (HK$1.00)	RMB1.08 (HK$1.23)

Notes:

(1) The calculation of market capitalization is based on 3,000,000,000 Shares expected to have been issued following completion of the Global Offering and the Capitalization Issue and does not take into account any additional Shares which may be issued/repurchased according to the general mandate or issued upon exercise of the Over-allotment Option or upon exercise of options granted under our Share Option Scheme or Pre-IPO Share Option Scheme or otherwise.

(2) The calculation of price/earnings multiple is based on each indicative Offer Price and the earnings per Share for the year ended 31 December 2009 and the assumed number of Shares outstanding as set forth in note (1) above.

(3) The calculation of the unaudited pro forma adjusted consolidated net tangible assets per Share is based on the unaudited pro forma adjusted net tangible assets attributable to the owners of the Company as set forth in "Appendix II — Unaudited Pro Forma Financial Information — A. Unaudited Pro Forma Adjusted Consolidated Net Tangible Assets" and the assumed number of Shares outstanding as set forth in note (1) above.

(4) The unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Company per Share are converted into Hong Kong dollars at an exchange rates of HK$1.00 : RMB0.8773.

RISK FACTORS

We believe that there are certain risks involved in our operations, many of which are beyond our control. These risks are set forth in the section headed "Risk Factors" section and are summarized below.

Risks relating to our business

- A substantial portion of our products are used in infrastructure and real estate construction; the PRC government has recently implemented several measures to control the growth of the infrastructure and real estate sectors, which could materially and adversely impact demand for our products.

- Our financial performance is dependent on the cost and continued availability of plastic resins.

- We may be unable to effectively manage our planned capacity expansion.

- We may make acquisitions or divestitures that may be unsuccessful.

- We depend on independent distributors for a substantial portion of our revenue and failure to maintain relationships with our distributors or to otherwise expand our distribution network could materially and adversely affect our business.

- We may not be able to successfully develop our products and new production processes on a timely basis, or at all.

- Our operations depend on the stability of our core personnel. If we fail to retain or otherwise lose the services of our core team members or fail to recruit well-qualified and experienced new team members, our business may be materially and adversely affected.

- Our operations rely on a continuous power supply and the ready availability of utilities, and any shortages or interruptions could significantly disrupt our operations and increase our expenses.

- Our business operations may be materially and adversely affected by a shortage of labor.

- We may be adversely affected by certain recent adverse developments in the global financial markets and may not be able to obtain adequate financing on terms acceptable to us.

- Our business activities are affected by seasonality effects in China.

- There are title defects relating to certain properties occupied by us in Shunde and Sichuan.

- We lack certain requisite environmental approvals for our production facilities in Henan.

- Our non-compliance with social insurance contribution requirements under national and local laws and regulations may subject us to fines and other penalties.

- We may not be able to adequately protect our intellectual property.

- Any failure to maintain an effective quality control system at our production facilities could have a material adverse effect on our business, results of operations and financial condition.

- In the event of a material disruption of our operations, our business, results of operations and financial condition could be materially and adversely affected.

- Our insurance coverage may not be sufficient to cover the risks related to our operations or any losses.

- We will not be able to continue to enjoy our current preferential tax treatment.

- The Controlling Shareholder may take actions that are not in, or may conflict with, public Shareholders' best interests.

- We may not be able to effectively manage our distributors, and our reputation, business and brand may be materially and adversely affected by actions taken by our distributors.

- The construction of our new production facilities may not be completed in the timeframe or at the cost levels originally anticipated and, as a result, we may not be able to realize our expected production capacity increases or any related economic benefits.

- We had net current liabilities in recent periods and may have net current liabilities in the future.

- Our levels of indebtedness and interest payment obligations may materially and adversely affect our business.

- We may be affected by actions of our connected persons to whom we have licensed certain of our patents and trademarks.

Risks relating to our industry

- The industry in which we operate is highly competitive, and a further increase in competition or productivity by our competitors may materially and adversely affect our market share and profit margins.

- We are subject to stringent environmental laws and regulations. Failure to comply with these laws and regulations could have a material adverse effect on our business, results of operations and financial condition.

- Failure to obtain or maintain permits could have a material adverse effect on our business, results of operations and financial condition.

Risks relating to the PRC

- PRC economic, political and social conditions, as well as government policies, could materially and adversely affect our business.

- We rely on dividend payments from our subsidiaries and associated companies for funding, and changes to foreign exchange regulations, fluctuations in the value of the RMB, or certain changes to PRC accounting requirements may materially and adversely affect our ability to pay dividends.

- We may be deemed a PRC resident enterprise under the New Income Tax Law and be subject to the PRC taxation on our worldwide income.

- Dividends payable by our Company to its non-resident shareholders may become subject to taxes under the PRC tax laws.

- The implementation of the new PRC Labor Contract Law and related regulations and the expected increase in labor costs in the PRC may materially and adversely affect our business and profitability.

- We are vulnerable to natural disasters and other events that could severely disrupt our operations.

- Interpretation of PRC laws and regulations involves uncertainty that could adversely affect our business, results of operations and the value of our Shares and could limit the legal protections available to investors.

- Any recurrence of severe acute respiratory syndrome (SARS), pandemic avian influenza or an increase in the severity of H1N1 flu (swine flu) or another widespread public health problem could materially and adversely affect our business, financial condition and results of operations.

Risks relating to the Global Offering

- There has been no prior public market for the Shares and we cannot assure you that an active market will develop.

- The liquidity and market prices of the Shares following the Global Offering may be volatile, which may result in substantial losses for investors purchasing Shares in the Global Offering.

- Sales or the perception of future sales of substantial amounts of the Shares in the public market after the Global Offering could adversely affect the prevailing market price of the Shares.

- Potential investors will experience immediate and substantial dilution as a result of the Global Offering.

- The costs of share options granted under the Pre-IPO Share Option Scheme and to be granted under the Share Option Scheme may materially and adversely affect our results of operations and any exercise of the options granted may result in dilution to our Shareholders.

- We cannot guarantee the accuracy of facts and statistics with respect to certain information obtained from official governmental or other industry sources contained in this prospectus.

- It may be difficult to effect service of process upon us or our Directors or executive officers who live in China or to enforce judgments against them from non-PRC courts or to enforce certain Hong Kong rules.

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

- You should not rely on any information contained in press articles or other media regarding the Group and the Global Offering.

- Forward-looking information may prove to be inaccurate.

Unless the context otherwise requires, the following expressions have the following meanings in this prospectus. Certain other terms are explained in the section headed "Glossary of Technical Terms"

"Application Form(s)"	**WHITE** application form(s), **YELLOW** application form(s) and **GREEN** application form(s), individually or collectively, as the context may require
"Articles of Association" or "Articles"	our articles of association, as adopted on 14 May 2010, and as amended from time to time, a summary of which is contained in Appendix V to this prospectus
"associate"	has the meaning ascribed to it under the Listing Rules
"Audit Committee"	the audit committee of the Board
"Board of Directors" or "Board"	our board of Directors
"Business Day"	a day (other than a Saturday or a Sunday) on which banks in Hong Kong are generally open for normal banking business
"BVI"	the British Virgin Islands
"CAGR"	compound annual growth rate
"Capitalization Issue"	the issuance of Shares to be made upon the capitalization of the share premium account of the Company as referred to in "Appendix VI — Statutory and General Information — Further Information about our Group — Written resolutions of the sole shareholder of the Company passed on 14 May 2010"
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant, who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant

"Central China"	Hubei Province, Jiangxi Province and Henan province of the PRC
"Changchun Liansu"	Changchun Liansu Industrial Co., Ltd. (長春聯塑實業有限公司), a Sino-foreign equity joint enterprise incorporated under the laws of the PRC on 25 October 2007 and an indirect wholly-owned subsidiary of the Company
"China" or "PRC"	the People's Republic of China, which for the purpose of this prospectus and for geographical reference only, excludes Hong Kong, Macau and Taiwan
"Companies Law"	the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company" or "our Company"	China Liansu Group Holdings Limited (中國聯塑集團控股有限公司), a company incorporated in the Cayman Islands with limited liability on 5 November 2009
"CPPIA"	China Plastics Processing Industry Association (中國塑料加工工業協會)
"CSRC"	the China Securities Regulatory Commission (中國証券監督管理委員會)
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Controlling Shareholder"	has the meaning ascribed thereto under the Listing Rules and unless the context requires otherwise, refers to New Fortune and its beneficial owner Mr. Wong
"Daqing Liansu"	Daqing Liansu Technology Development Co., Ltd. (大慶聯塑科技發展有限公司), a limited liability company incorporated under the laws of the PRC on 26 April 2005 and an indirect wholly-owned subsidiary of the Company

"design annual production capacity"	with respect to (i) any equipment or production line in any year, the design annual production capacity of such equipment or production line (as stipulated by the relevant manufacturer), adjusted on the basis that such equipment or production line is being operated 24 hours a day and for 330 days in such year, and (ii) any production facility in any year, the aggregate design annual production capacities of the equipment and production lines that form such production facility during that year
"Director(s)"	the director(s) of the Company or any one of them
"Eastern China"	Shanghai Municipality, Jiangsu Province, Zhejiang Province and Anhui Province of the PRC
"effective annual production capacity"	with respect to (i) any equipment or production line in any year, the design annual production capacity of such equipment or production line divided by 12 and multiplied by the number of months for which such equipment or production line had been in operation during that year, and (ii) any production facility in any year, the aggregate effective annual production capacities of the equipment and production lines that form such production facility during that year
"EI TI HK"	EI TI Group Co. Limited (依達集團有限公司), a company incorporated in Hong Kong with limited liability under the Companies Ordinance on 30 June 1999 and beneficially wholly-owned by Mr. Wong (not through any member of our Group), which was dissolved on 20 March 2009
"Foshan Liansu"	Foshan Liansu Import & Export Trading Co., Ltd. (佛山市聯塑進出口貿易有限公司), a limited liability company incorporated under the laws of the PRC on 28 January 2008 and an indirect wholly-owned subsidiary of the Company
"Foshan Haojie"	Foshan Shunde Haojie Plastic & Metallic Products Co., Ltd. (佛山市順德區豪傑塑料五金製品有限公司), a wholly foreign-owned enterprise incorporated under the laws of the PRC on 13 October 2006 that does not form part of our Group
"GDP"	gross domestic product

"Global Offering"	the Hong Kong Public Offering and the International Placing
"GREEN application form(s)"	the application form(s) to be completed by the **White Form eIPO** Service Provider, Computershare Hong Kong Investor Services Limited
"Great China International"	Great China International Holdings Ltd. (華拓國際控股有限公司), an international business company incorporated in the BVI on 9 September 2003 and a direct wholly-owned subsidiary of the Company
"Group", "our Group", "we", "our" or "us"	the Company and its subsidiaries or, where the context so requires, with respect to the period before which the Company became the holding company of its current subsidiaries, the Company's current subsidiaries or the businesses operated by such subsidiaries or their predecessors (as the case may be)
"Guangdong Liansu Electric"	Guangdong Liansu Electric Co., Ltd. (廣東聯塑電氣有限公司), a wholly foreign-owned enterprise incorporated under the laws of the PRC on 4 December 2007 that does not form part of our Group and which is wholly-owned by Star Excel
"Guangdong Liansu Machinery"	Guangdong Liansu Machinery Manufacturing Co., Ltd. (廣東聯塑機器製造有限公司), a wholly foreign-owned enterprise incorporated under the laws of the PRC on 24 May 2005 that does not form part of our Group and which is wholly-owned by Star Excel
"Guangdong Liansu Municipal Engineering"	Guangdong Liansu Municipal Engineering Pipe Co., Ltd. (廣東聯塑市政工程管道有限公司), a Sino-foreign equity joint enterprise incorporated under the laws of the PRC on 15 July 2005 and an indirect wholly-owned subsidiary of the Company
"Guangdong Liansu Plumbing"	Guangdong Liansu Fire Fighting & Valve & Plumbing Accessories Co., Ltd. (廣東聯塑消防閥門水暖器材有限公司), a wholly foreign-owned enterprise incorporated under the laws of the PRC on 16 January 2009 that does not form part of our Group and which is wholly-owned by Star Excel

"Guangdong Liansu Profiles"	Guangdong Liansu Profiles Co., Ltd. (廣東聯塑型材有限公司), a wholly foreign-owned enterprise incorporated under the laws of the PRC on 28 November 2007 that does not form part of our Group and which is wholly-owned by Star Excel
"Guangdong Liansu Technology"	Guangdong Liansu Technology Industrial Co., Ltd. (廣東聯塑科技實業有限公司) (formerly known as Shunde Liansu Technology Industrial Co., Ltd. (順德市聯塑科技實業有限公司)), a wholly foreign-owned enterprise incorporated under the laws of the PRC on 1 December 1999 and an indirect wholly-owned subsidiary of the Company
"Guiyang Liansu"	Liansu Technology Development (Guiyang) Co., Ltd. (聯塑科技發展(貴陽)有限公司), a Sino-foreign equity joint enterprise incorporated under the laws of the PRC on 30 July 2003 and an indirect wholly-owned subsidiary of the Company
"Hebei Liansu"	Liansu Municipal Pipe (Hebei) Co., Ltd. (聯塑市政管道(河北)有限公司), a Sino-foreign equity joint enterprise incorporated under the laws of the PRC on 12 October 2005 and an indirect wholly-owned subsidiary of the Company
"Henan Liansu"	Henan Liansu Industrial Co., Ltd. (河南聯塑實業有限公司), a limited liability company incorporated under the laws of the PRC on 25 October 2007 and an indirect wholly-owned subsidiary of the Company
"Heshan Liansu"	Heshan Liansu Industrial Development Co., Ltd. (鶴山聯塑實業發展有限公司), a Sino-foreign equity joint enterprise incorporated under the laws of the PRC on 21 June 2002 and an indirect wholly-owned subsidiary of the Company
"HK$" or "Hong Kong dollars"	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
"HKFRS"	Hong Kong Financial Reporting Standards
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC

"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Public Offer Shares"	the 75,000,000 new Shares initially being offered for subscription by the Company at the Offer Price under the Hong Kong Public Offering (subject to adjustment as described in "Structure and Conditions of the Global Offering")
"Hong Kong Public Offering"	the offer by the Company of the Hong Kong Public Offer Shares for subscription by the public in Hong Kong as described in "Structure and Conditions of the Global Offering" at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005% of the Offer Price) and on and subject to the terms and conditions stated herein and in the Application Forms relating thereto
"Hong Kong Share Registrar"	Computershare Hong Kong Investor Services Limited
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering named in "Underwriting — Hong Kong Underwriters" of this prospectus
"Hong Kong Underwriting Agreement"	the conditional Hong Kong underwriting agreement dated 8 June 2010 relating to the Hong Kong Public Offering entered into by, among others, the Company, the Joint Global Coordinators and the Hong Kong Underwriters
"Independent Third Party"	a party which is not connected (as defined in the Listing Rules) to our Company or our connected persons
"International Offer Shares"	the 675,000,000 new Shares initially being offered for subscription by the Company at the Offer Price under the International Placing (subject to adjustment as described in the section headed "Structure and Conditions of the Global Offering") together with (unless the context otherwise requires) any Shares issued pursuant to any exercise of the Over-allotment Option

"International Placing"	the conditional placing by the International Underwriters of the International Offer Shares for cash at the Offer Price plus brokerage of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005% of the Offer Price, details of which are described in the section headed "Structure and Conditions of the Global Offering" on and subject to the terms and conditions stated herein and in the International Placing Agreement
"International Placing Agreement"	the conditional placing and purchase agreement relating to the International Placing and to be entered into by, among others, the Company and the Joint Global Coordinators on behalf of the International Underwriters on or about the Price Determination Date
"International Underwriters"	the group of underwriters led by the Joint Global Coordinators, who are expected to enter into the International Placing Agreement
"Joint Bookrunners" and "Joint Lead Managers"	in respect of the Hong Kong Public Offering, J.P. Morgan Securities (Asia Pacific) Limited and UBS, and in respect of the International Placing, J.P. Morgan Securities Ltd. and UBS
"Joint Global Coordinators" and "Joint Sponsors"	J.P. Morgan Securities (Asia Pacific) Limited and UBS
"Latest Practicable Date"	31 May 2010, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus
"Liansu brand"	our brand as represented by our trademarks and/or and certain of our other trademarks listed in "Appendix VI — Statutory and General Information — Further Information about our Business — Our intellectual property rights — Trademarks", as the context requires
"Liansu HK"	Liansu Group Company Limited (聯塑集團有限公司), a company incorporated in Hong Kong with limited liability under the Companies Ordinance on 8 October 2003 and an indirect wholly-owned subsidiary of the Company
"Listing"	listing of the Shares on the Main Board of the Stock Exchange

"Listing Date"	the date expected to be on or about 23 June 2010 on which the Shares are listed and from which dealings therein are permitted to take place on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
"Macau"	the Macau Special Administrative Region of the PRC
"Market Avenue"	Beijing Market Avenue Consulting Co., Ltd. (北京美信志成咨詢有限公司), a market research, investment and financial consulting company in China
"MEP"	the Ministry of Environmental Protection of the PRC (中華人民共和國環境保護部)
"MOC"	the Ministry of Commerce of the PRC (中華人民共和國商務部)
"MOHURD"	the Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部)
"Mr. Wong"	Mr. Wong Luen Hei, the founder of the Group, and the chairman and an executive Director of the Company
"mu"	a unit of measure used in China that is equivalent to 666⅔ square meters
"Nanjing Liansu"	Nanjing Liansu Technology Industrial Co., Ltd. (南京聯塑科技實業有限公司), a Sino-foreign equity joint enterprise incorporated under the laws of the PRC on 11 June 2006 and an indirect wholly-owned subsidiary of the Company
"National Bureau of Statistics"	the China Industrial Information Issuing Center of the National Bureau of Statistics of China (國家統計局中國行業企業資訊發布中心)
"NDRC"	the National Development and Reform Commission (中華人民共和國國家發展和改革委員會)
"New Fortune"	New Fortune Star Limited, a company incorporated in the BVI with limited liability on 16 October 2009 that does not form part of our Group and which is directly wholly-owned by Mr. Wong

"New Income Tax Law"	the Enterprise Income Tax Law promulgated by the National People's Congress on 16 March 2007 and which became effective on 1 January 2008
"Northern China"	Beijing Municipality, Tianjin Municipality, Hebei Province, Shandong Province, Inner Mongolia Autonomous Region and Shanxi Province of the PRC
"Northeastern China"	Liaoning Province, Jilin Province and Heilongjiang Province of the PRC
"Northwestern China"	Shaanxi Province, Ningxia Hui Autonomous Region, Qinghai Province, Gansu Province and Xinjiang Uygur Autonomous Region of the PRC
"Offer Price"	the final Hong Kong dollar price per Offer Share (before brokerage of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005%) at which Shares are to be subscribed or purchased pursuant to the Global Offering, which will be not more than HK$3.50 and is expected to be not less than HK$2.60, to be determined as described in the section headed "Structure and Conditions of the Global Offering — Determining the Offer Price"
"Offer Shares"	the Hong Kong Public Offer Shares and the International Offer Shares
"Over-allotment Option"	the option to be granted by the Company to the International Underwriters under the International Placing Agreement pursuant to which the Company may be required by the Joint Global Coordinators (on behalf of the International Underwriters), to allot and issue up to 112,500,000 additional new Shares, representing 15% of the Offer Shares initially available under the Global Offering, at the Offer Price to, among other things, cover over-allocations in the International Placing, if any
"Over-allotment Shares"	up to 112,500,000 Shares which the Company may be required to issue at the Offer Price pursuant to the Over-allotment Option
"PBOC"	People's Bank of China (中國人民銀行)
"PCT"	Patent Cooperation Treaty

"Pre-IPO Share Option Scheme"	the Pre-IPO Share Option Scheme adopted by the Company with effect from 14 May 2010, the principal terms of which are summarized in "Appendix VI — Statutory and General Information — Other Information — Pre-IPO Share Option Scheme"
"Price Determination Date"	the date, expected to be on or about 15 June 2010 (Hong Kong time), when the Offer Price is determined and, in any event, no later than 20 June 2010
"QIBs"	qualified institutional buyers within the meaning of Rule 144A
"Regulation S"	Regulation S under the US Securities Act
"related parties"	has the meaning as set out in the paragraph headed "Related parties" under note 3 to the accountants' report set out in Appendix I to this prospectus
"Reorganization"	the reorganization by the companies comprising us in preparation for our Listing. See "Appendix VI — Statutory and General Information — Further Information about our Group — Reorganization"
"RMB"	Renminbi, the lawful currency of the PRC
"Rule 144A"	Rule 144A under the US Securities Act
"SAFE Notice"	the Notice on Relevant Problems Relating to the Administration of Foreign Exchange in Corporate Financing by Domestic Residents Through Overseas Special Purpose Vehicles and Return Investments (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) issued by SAFE on 21 October 2005 and effective from 1 November 2005
"SAFE"	the State Administration for Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

"Share Option Scheme"	the share option scheme conditionally adopted by the Company on 14 May 2010, the principal terms of which are summarized in "Appendix VI — Statutory and General Information — Other Information — Share Option Scheme"
"Share(s)"	ordinary share(s) of HK$0.05 each in the issued share capital of the Company
"Shareholder(s)"	holder(s) of Shares
"Shunde Liansu Industrial"	Foshan Shunde Liansu Industrial Co., Ltd. (佛山市順德區聯塑實業有限公司), a limited liability company incorporated under the laws of the PRC on 11 December 1996 and deregistered in March 2008 that does not form part of our Group and held, prior to its deregistration, as to 75.41% by Mr. Wong and 24.59% by his wife, Ms. Zuo Xiaoping
"Sichuan Liansu"	Sichuan Liansu Technology Industrial Co., Ltd. (四川聯塑科技實業有限公司), a limited liability company incorporated under the laws of the PRC on 10 July 2009 and an indirect wholly-owned subsidiary of the Company
"Southern China"	Guangdong Province, Guangxi Zhuang Autonomous Region, Hunan Province, Fujian Province and Hainan Province of the PRC
"Southwestern China"	Chongqing Municipality, Sichuan Province, Guizhou Province, Yunnan Province and Xizang (Tibet) Autonomous Region of the PRC
"sq.ft."	square feet
"sq.m."	square metre
"Star Excel"	Star Excel Investment Limited (星俊投資有限公司), a company incorporated in Hong Kong with limited liability under the Companies Ordinance on 9 May 2006 that does not form part of our Group and which is wholly-owned by Mr. Wong
"Starcorp Investment"	Starcorp Investment Holdings Ltd. (星展投資控股有限公司), an international business company incorporated in the BVI on 9 September 2003 and a direct wholly-owned subsidiary of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

"tonne" or "metric ton"	a unit measuring weight, equal to 1,000 kilograms
"Track Record Period"	the period consisting of the years ended 31 December 2007, 2008 and 2009
"UBS"	UBS AG, Hong Kong Branch, a registered institution under the SFO for Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance), Type 7 (providing automated trading services) and Type 9 (asset management) regulated activities
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Placing Agreement
"United States" or "US"	the United States, as defined in Regulation S
"Urumqi Liansu"	Urumqi Liansu Technology Development Co., Ltd. (烏魯木齊聯塑科技發展有限公司), a Sino-foreign equity joint enterprise incorporated under the laws of the PRC on 27 December 2007 and an indirect wholly-owned subsidiary of the Company
"US Person"	has the meaning given to it in Regulation S
"US Securities Act"	the United States Securities Act of 1933, as amended
"US$" or "US dollars"	United States dollars, the lawful currency of the United States
"White Form eIPO"	applying for Hong Kong Public Offer Shares to be issued in your own name by submitting applications online through the designated website at **www.eipo.com.hk**
"White Form eIPO Service Provider"	Computershare Hong Kong Investor Services Limited
"Wuhan Liansu"	Liansu Technology Development (Wuhan) Co., Ltd. (聯塑科技發展(武漢)有限公司), a Sino-foreign equity joint enterprise incorporated under the laws of the PRC on 22 May 2001 and an indirect wholly-owned subsidiary of the Company
"Wuhan Liansu Mold"	Wuhan Liansu Precision Mold Co., Ltd. (武漢聯塑精密模具有限公司), a limited liability company incorporated under the laws of the PRC on 20 December 2007 and an indirect wholly-owned subsidiary of the Company

"Yingxin Real Estate"	Foshan Shunde Yingxin Real Estate Development Co., Ltd. (佛山市順德區盈信房產開發有限公司), a limited liability company incorporated under the laws of the PRC on 13 January 2004 that does not form part of our Group and which is wholly-owned by Yan Sing Fu Sing Real Estate (Holdings) Limited (盈信富星地產集團有限公司), a company incorporated in Hong Kong with limited liability under the Companies Ordinance on 10 April 2008 and indirectly wholly-owned by Mr. Wong
"Yuegao Patent"	Guangzhou Yuegao Patent Trademark Agency Co., Ltd. (廣州粵高專利商標代理有限公司), a limited liability company incorporated under the laws of the PRC on 31 August 2001 and owned as to 51% by Mr. Lin Dewei, a non-executive Director, 25% by Mr. Chen Wei and 8% each by Mr. Yu Xiaoming, Mr. Luo Xiaolin and Ms. Lin Liming; other than Mr. Lin Dewei, all the other shareholders of Yuegao Patent are Independent Third Parties
"Yuegao Trademark"	Guangdong Yuegao Trademark Agency Co., Ltd. (廣東粵高商標代理有限公司), a limited liability company incorporated under the laws of the PRC on 10 September 2004 and owned as to 60% by Mr. Lin Dewei, a non-executive Director and 40% by Mr. Chen Wei; other than Mr. Lin Dewei, the other shareholder of Yuegao Trademark is an Independent Third Party
"Zhongshan Walton"	Zhongshan Walton Coating Steel Plastic Pipe Co., Ltd. (中山華通鋼塑管有限公司), a limited liability company incorporated under the laws of the PRC on 12 July 2002 and an indirect wholly-owned subsidiary of the Company
"11th Five Year Plan"	the 11th Five Year Plan for National Economic and Social Development Guidelines of the PRC (中華人民共和國國民經濟和社會發展第十一個五年規劃綱要)
"12th Five Year Plan"	the 12th Five Year Plan for National Economic and Social Development Guidelines of the PRC (中華人民共和國國民經濟和社會發展第十二個五年規劃綱要)
"%"	per cent.

Unless otherwise specified, statements contained in this prospectus assume no exercise of the Over-Allotment Option.

All times refer to Hong Kong time.

If there is any inconsistency between the Chinese name of the PRC laws and regulations or PRC entities mentioned in this prospectus and their English translation, the Chinese version shall prevail.

Unless otherwise specified, amounts denominated in RMB and US$ have been converted into Hong Kong dollars in this prospectus for the purpose of illustration only and at the rates set forth below:

HK$1.00 : RMB0.8773

HK$7.7822 : US$1.00

No representation is made that any amounts in RMB, US$ or HK$ can be or could have been converted on the relevant dates at the above rates or at any other rate or at all.

Unless otherwise specified, references to years in this prospectus are to calendar years.

Translated English names of Chinese natural persons, legal persons, governmental authorities, institutions or other entities for which no official English translation exist are unofficial translations for identification purposes only.

Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

Unless otherwise specified, discussions on and disclosure of financial data under the consolidated statements of comprehensive income are in relation to continuing operations.

This glossary of technical terms contains explanations of certain terms used in this prospectus as they relate to our Company and as they are used in this prospectus in connection with our business or us. These terms and their given meanings may not correspond to standard industry definitions.

"Acrylonitrile-Butadiene-Styrene" or "ABS"	plastics containing polymers or blends of polymers, or both, in which the minimum butadiene content is 6%, the minimum acrylonitrile content is 15%, the minimum styrene or substituted content, or both, is 15%, and the maximum content of all other monomers is not more than 5%
"extrusion"	a manufacturing process where plastic is pushed or drawn through the mould by extruders to create a tubular or profile shaped pipe
"GHP"	geothermal heat pumps, which are underground pumps generally used to conduct heat energy to a particular place for heating purposes
"GRP"	glass reinforced plastic
"HDPE"	high density polyethylene, a type of plastic resin used in making plastic pipes with high mechanical strength
"LDPE"	low density polyethylene, a type of plastic resin used in making plastic pipes which have certain mechanical strength that are suitable for products that require higher flexibility
"LLDPE"	linear low density polyethylene, a type of plastic resin used in making plastic pipes
"PB pipes"	polybutylene pipes
"PE pipes"	polyethylene plastic pipes, including those made of HDPE and LDPE, which have high mechanical strength, chemical resistance and flexibility
"PE resins"	polyethylene based raw materials, including those used in making HDPE and LDPE pipes
"pipe fittings"	an accessory that connects two ends of the pipes together or forms a specific function for the pipe
"piping system"	a network of pipes connecting from source to destination

"plastic pipes"	any plastic pipe, including conduits for telecommunication and electrical wires that are made from PVC resins, PP-R resins and PE resins, as applicable
"plastic"	a material that contains, as an essential ingredient, one or more organic polymeric substances of large molecular weights, is solid in its finished state, and, at some stage in its manufacture or processing into finished articles, can be shaped by flow
"plasticization"	the process of becoming plastic
"polymer"	a large molecule composed of repeating structural units that are connected to one another through chemical bonds
"PP"	polypropylene, a thermoplastic polymer that is resistant to many chemical solvents, bases and acids
"PP-R"	polypropylene random, a type of material for making plastic pipes with good high and low temperature properties
"PVC"	polyvinyl chloride, a type of material for making plastic pipes with high mechanical strength and rigidity and is resistant to most corrosive fluids
"PVC pipes"	plastic pipes such as PVC, PVC-U and PVC-C pipes
"PVC resins"	polyvinyl chloride based raw materials for making plastic pipes such as PVC, PVC-U and PVC-C pipes
"PVC-C"	chlorinated polyvinyl chloride, a type of material for making plastic pipes with high mechanical strength, resistance to corrosive fluids and can withstand high temperatures
"PVC-M pipes"	modified high-resistance PVC pipes
"PVC-U"	unplasticized polyvinyl chloride, a type of material for making plastic pipes with higher mechanical strength, elasticity and chemical resistance than pipes made from PVC
"stabilizers"	chemicals used in plastics formulation to help maintain physical and chemical properties during processing and service life

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties, including the risk factors described in this prospectus. Forward-looking statements can be identified by words such as “may,” “will,” “should,” “would,” “could,” “believe,” “expect,” “anticipate,” “intend,” “plan,” “continue,” “seek,” “estimate” or the negative of these terms or other comparable terminology. Examples of forward-looking statements include, but are not limited to, statements we make regarding our projections, business strategy and development activities as well as other capital spending, financing sources, the effects of regulation, expectations concerning future operations, margins, profitability and competition. The foregoing is not an exclusive list of all forward-looking statements we make.

Forward-looking statements are based on our current expectation and assumptions regarding our business, the economy and other future conditions. We can give no assurance that these expectations and assumptions will prove to have been correct. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. Our results may differ materially from those contemplated by the forward-looking statements. They are neither statements of historical fact nor guarantees or assurances of future performance. We caution you therefore against relying on any of these forward-looking statements. Important factors that could cause actual results to differ materially from those in the forward-looking statements include regional, national or global political economic, business, competitive, market and regulatory conditions and the following:

- the impact that the Chinese government’s recent anti-inflationary measures has on demand for our products from the infrastructure and real estate sectors;
- fluctuations in the price and the continued availability of the plastic resins we use to manufacture our products;
- our ability to effectively manage our planned capacity expansion;
- our ability to grow our network of independent distributors;
- our ability to successfully develop new products and new production processes on a timely basis;
- our ability to retain core team members and recruit qualified and experienced new team members;
- our vulnerability to material disruptions at production facilities, including as a result of disruptions to service from electric and other utilities;
- our ability to obtain adequate financing on terms acceptable to us;
- the impact of seasonality effects in China on our business activities;
- the impact of title defects on our ability to occupy our facilities in Shunde and Sichuan;
- our ability to adequately protect the Liansu brand and our other intellectual property;

- our ability to maintain an effective quality control system at our production facilities;
- our ability to maintain our current preferential tax treatment status under Chinese law;
- our ability to construct new production facilities in the timeframe and at the cost levels originally anticipated;
- our levels of indebtedness and interest payment obligations;
- changes in environmental and other regulations;
- our profit forecast and other prospective financial information; and
- the other factors that are described in the section headed "Risk Factors" in this prospectus.

Any forward-looking statement made by us in this prospectus speaks only as of the date on which it is made. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. Subject to the requirements of applicable laws, rules and regulations, we undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future developments or otherwise. All forward-looking statements contained in this prospectus are qualified by reference to this cautionary statement.

Investing in the Shares involves certain risks. You should carefully consider each of the risks described below and all of the other information contained in this prospectus, including the accountants' report included in Appendix I to this prospectus, before deciding to purchase the Shares. You should pay particular attention to the fact that our business is located almost exclusively in the PRC, and we are governed by a legal and regulatory environment which, in some respects, may differ from that which prevails in other countries.

If any of the following risks occurs, our business, financial condition and results of operations could be materially and adversely affected. Additional risks and uncertainties not presently known to us, or not expressed or implied below, or that we deem immaterial, could also harm our business, financial condition and results of operations. The trading prices of our shares could decline due to any of these risks and uncertainties, and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS

A substantial portion of our products are used in infrastructure and real estate construction; the PRC government has recently implemented several measures to control the growth of the infrastructure and real estate sectors, which could materially and adversely impact demand for our products.

Sales of our products and the growth of our operations have depended, and will continue to depend, substantially on the growth of the end-user markets for our products in the infrastructure and real estate development sectors. Generally, within the PRC, construction activities in the infrastructure and real estate development sectors are cyclical and dependent upon many factors beyond our control. Since Fall 2009, some market observers have expressed concern that growth in the infrastructure and real estate sectors has been driven by excess availability of bank lending in the PRC, which had enabled investors to purchase real estate for speculative purposes at inflationary prices. Increased availability of bank lending in the PRC may have also enabled increases in the level of infrastructure development activities. Due to concerns about inflation, the PBOC increased the reserve requirement ratio for commercial banks by 50 basis points twice during the first two months of 2010 to a rate of 16.5% beginning 25 February 2010. In May 2010, the PBOC increased the reserve requirement ratio again by another 50 basis points to 17.0% beginning 10 May 2010. The reserve requirement refers to the amount of funds that banks must hold in reserve with the PBOC against deposits made by their customers. Increases in the reserve requirement ratio may negatively impact the amount of funds available to lend to infrastructure and real estate developers by commercial banks in China.

In addition to these anti-inflationary measures, since late 2009, the Chinese government has promulgated a series of regulatory and fiscal policies targeted specifically towards curbing the level of investment in the real estate sector. These policies include the following:

- With effect from 1 January 2010, transfers of non-ordinary residential properties by individuals who have held them for less than five years are subject to business tax calculated on a gross basis; transfers of (i) non-ordinary residential properties by individuals who have held them for five years or more or (ii) ordinary residential properties by individuals who have held them for less than five years are subject to business tax calculated on a net basis; and transfers of ordinary residential properties by individuals who have held them for five years or more are exempted from business tax.

- With effect from March 2010, the Ministry of Land and Resources of the PRC began requiring real estate developers acquiring land use rights to pay 50% of the land premiums as down payment within one month of entering into the relevant land grant contracts.

- In April 2010, the State Council of the PRC mandated that banks require at least a 50% down payment from second-home purchasers (at mortgage rates of no less than 1.1 times benchmark rates). The State Council also mandated that banks require a 30% down payment from purchasers of first homes that are larger than 90 sq.m.

- In April 2010, the State Council of the PRC promulgated a notice that provides that, in those areas where property prices have escalated and property supply is tight, commercial banks may, subject to their own risk assessment, refuse to grant mortgage loans to those purchasing their third or more properties, and the granting of mortgage loans shall be suspended to those non-local residents who cannot provide documentation showing payment of local tax or social security for one year or more.

As such macroeconomic and regulatory measures may not have a significant impact on investment and consumption patterns until several months after the measures are implemented, it is too early to determine the extent to which recent monetary, fiscal and other policy measures may have on our business. Nevertheless, the level of investment in infrastructure and real estate construction in China may level off or decrease as a result of these or other measures, which in turn may negatively impact demand for plastic pipes and, hence, have a material and adverse effect on our financial performance.

In addition, our results of operations and financial condition could also be materially and adversely affected by a downturn in construction activities in the PRC, particularly in the Southern China region, which accounted for more than a majority of our revenue during each year of the Track Record Period, resulting from general market conditions, the unavailability of credit to finance investment, fluctuations in housing prices, mortgage and other financing interest rates, unemployment, demographic trends, consumer confidence and other factors beyond our control.

Our financial performance is dependent on the cost and continued availability of plastic resins.

The principal raw materials for the production of our plastic pipe products are plastic resins such as PVC, PE and PP-R. For the years ended 31 December 2007, 2008 and 2009, our cost of raw materials amounted to RMB2,053.8 million, RMB2,760.6 million and RMB3,627.5 million, respectively, accounting for 89.9%, 88.6% and 88.3%, respectively, of our cost of sales. Our financial performance therefore is dependent to a substantial extent on the price fluctuations and availability of plastic resins. The primary raw material used in a majority of our pipe products is PVC resin manufactured in the PRC from coal and limestone, as opposed to PVC resin manufactured from petrochemical intermediates that are primarily used in many other parts of the world. Prices for PVC resins in the PRC have been affected by various factors, including fluctuations resulting from refinery capacity shortages, changes in PVC manufacturers' electrical and labor costs, changes in coal prices and changes in the price of petrochemical based PVC resins on the Chinese and global markets. In addition to coal and limestone based PVC resins, we also use a significant amount of various petrochemical based plastic resins as raw materials, the prices for which have fluctuated significantly in recent years as a result of changes in natural gas and crude oil prices. The unit costs of the plastic resins we use were affected by these fluctuations. Our average PVC resin unit cost per tonne was approximately RMB6,127, RMB6,624 and RMB5,572 in 2007, 2008 and 2009, respectively, while the average unit cost per tonne of our other plastic resins was approximately RMB11,639, RMB11,717 and RMB8,441 for the same respective periods. Instability in the plastic resin markets could quickly affect the prices and general availability of our raw materials, which could have a material and adverse impact on us. Due to the uncertain extent and rapid nature of these increases, we cannot reasonably estimate our ability to successfully recover any cost increases. To the extent that cost increases cannot be passed on to our customers, or the duration of time lags associated with a pass-through becomes significant, such increases may have a material and adverse effect on our financial performance. In 2009, we increased our gross margins to 22.8% from 13.9% for the prior year in large part due to raw material prices decreasing more than our average selling prices. Increases in our raw material costs could lower our gross margin significantly.

In addition, to maintain competitive operations, we must obtain from our suppliers, in a timely manner, sufficient quantities of raw materials at acceptable prices. Our policy is to maintain an inventory level of one to two months' supply of our principal raw materials at all times. We have signed formal framework agreements with our suppliers which generally have a term of one year and provisions regarding the indicative volume to be purchased during the year, but do not contain fixed price provisions. As a consequence of the recent global financial and economic crisis, certain suppliers may be unwilling to continue extending favourable credit terms to us. During the Track Record Period, we have been able to obtain raw materials from our suppliers on terms acceptable to us, but as suppliers seek to reduce their own costs in the face of the recent global financial and economic crisis, suppliers may offer materials to us on less favourable terms.

If our suppliers are unable to meet our demand for raw materials on a timely basis and on acceptable terms, our ability to maintain timely and cost-effective production of our products could suffer. In addition, if any of our suppliers were to cease selling to us or to cease operations for any reason, we might experience difficulty in obtaining raw materials from alternative suppliers on a timely, cost-effective basis and on acceptable terms. If our inventories run low, our production activities could be slowed or halted. In the event of any delay or failure in obtaining the necessary raw materials or other component parts from our suppliers on commercially acceptable terms or at all, our business, results of operations and financial condition may be materially and adversely affected.

We may be unable to effectively manage our planned capacity expansion.

The expansion of our production capacity is a key aspect of our growth strategy. We plan to add design annual production capacities of approximately 245,000 tonnes, 370,000 tonnes and 330,000 tonnes in 2010, 2011 and 2012, respectively. Our planned expansion requires us to identify suitable locations that are in close proximity to our target markets. Even if we successfully identify suitable locations, we may be unable to acquire land and property on acceptable terms or at all. In addition, we may not have the necessary management or the financial resources to oversee the successful and timely construction of new production facilities or the expansion of existing facilities. Our expansion plans could also be materially affected by construction delays, cost overruns, failures or delays in obtaining government approvals of necessary permits and our inability to secure the necessary production equipment. Furthermore, to effectively manage our planned expansion, we must improve our operational and financial systems and procedures and system of internal control. If we fail to anticipate customer requirements and market demand accurately, in particular in regions, such as Northern China, Northwestern China, Eastern China, Northeastern China, which have not historically been our major markets as we had focused on the Southern China market in the past, our expanded production capacity may not be able to operate at optimal levels and we may not be able to capture the target market share as planned. In addition, if demand for our products does not meet our expectations, the utilization rates of our expanded production facilities may be reduced and our revenue, results of operations and financial condition may be materially and adversely affected.

We may make acquisitions or divestitures that may be unsuccessful.

We have made, and may in the future consider, the acquisition of other plastic pipe manufacturers or product lines of other businesses that either complement or expand our existing business, or the divestiture of some of our businesses. We cannot assure you that we will be able to consummate any acquisitions or that any future acquisitions or divestitures will be able to be consummated at acceptable prices and terms. Acquisitions or divestitures involve a number of special risks, including some or all of the following:

- the diversion of management's attention from our core pipe manufacturing businesses;
- the disruption of our ongoing business;
- entry into markets in which we have limited or no experience;
- the ability to integrate our acquisitions without substantial costs, delays or other problems;
- inaccurate assessment of undisclosed liabilities;
- the incorporation of acquired product lines into our business;
- the failure to realise expected synergies and cost savings;
- the loss of key employees or customers of the acquired or divested business;
- increasing demands on our operational systems;
- the integration of information system and internal controls;
- possible adverse effects on our reported operating results, particularly during the first several reporting periods after the acquisition is completed; and
- the amortization of acquired intangible assets.

Additionally, any acquisitions or divestitures we may make could result in significant increases in our outstanding indebtedness and debt service requirements.

We depend on independent distributors for a substantial portion of our revenue and failure to maintain relationships with our distributors or to otherwise expand our distribution network could materially and adversely affect our business.

We sell a substantial portion of our products to independent distributors, which in turn sell our products to end-users. For the years ended 31 December 2007, 2008 and 2009, sales to our distributors accounted for 45.1%, 46.2% and 54.1% of our revenue, respectively, and no single distributor contributed, on an individual basis, more than 2.5% of our total revenue. We expect to continue to rely on our distributors for a substantial portion of our sales. As such, the sales performance and ability of our distributors to expand their businesses and sales networks are important to the future growth of our business. Furthermore, rather than enter into long-term agreements with our distributors, we generally enter into distribution agreements with one year terms, renewable annually upon mutual agreement. There is no assurance that we will be able to renew the distribution agreements with our distributors on mutually acceptable terms or at all. If we fail to renew our distribution agreements with them or to attract new distributors, our sales network and our business, results of operations and financial condition may be materially and adversely affected.

We may not be able to successfully develop our products and new production processes on a timely basis, or at all.

One of our business strategies is to continue to introduce new products to enable us to meet the needs of the end-users of our products. Changes in customer requirements and preferences, frequent product introductions and the emergence of new or substitute technology or evolving industry standards and practices could render our existing products and services obsolete or less attractive. The success of our strategy to introduce new products is dependent on our ability to anticipate customer needs, provide new products and differentiate our products from those of our competitors. The introduction of our new products may be less successful than we expect due to low levels of customer acceptance, costs associated with the introduction of new products, delays in bringing products to market, lower than anticipated prices for new products or quality issues. Our future success will depend upon our ability to successfully identify, develop and market new products that meet customer needs and are accepted in the market. There can be no assurance that we will be able to anticipate and respond to the demand for new products, services and technologies in a timely and cost-effective manner, adapt to technological advances or fulfil customer expectations.

Our operations depend on the stability of our core personnel. If we fail to retain or otherwise lose the services of our core team members or fail to recruit well-qualified and experienced new team members, our business may be materially and adversely affected.

The success of our operations depends to a large extent on the expertise and experience of our core team, which consists of the Directors, senior management and key technical and research personnel. Mr. Wong, our founder, chairman and an executive Director, has approximately 13 years of experience in the plastic pipe industry, and six out of our other eight executive Directors each has at least ten years of experience in the plastic pipe industry. Losing the services of our key personnel could materially harm us. Whether we are able to retain and motivate members of our existing core team and attract and recruit additional well-qualified and experienced personnel is one of the key factors that may affect our sustained development.

We expect that our and our competitors' demand for senior management and technical personnel will continue to grow. There can be no assurance that we will not encounter difficulties in retaining and attracting key personnel in the future. We are not insured against the detrimental effects to our business resulting from the loss or dismissal of key personnel. If any of the Directors or senior management ceases to participate in our management, or if we fail to retain or attract certain key personnel, the operations and growth of our business may be materially and adversely affected.

Our operations rely on a continuous power supply and the ready availability of utilities, and any shortages or interruptions could significantly disrupt our operations and increase our expenses.

The manufacture of our products relies on the continuous and uninterrupted supply of electric power, water and natural gas, as well as water, waste and emissions discharge facilities. Any shortage, interruption or discharge curtailment could significantly disrupt our operations and increase our expenses. We do not have backup generators or alternate sources of power at any of our manufacturing facilities to support our production in the event of a blackout. We have in the past been subject to occasions of power shortages caused by power supply limits imposed by the PRC government. In addition, our insurance coverage does not extend to any damages resulting from any interruptions to our power supply. Any interruption in our ability to continue operations at our facilities could damage our reputation, harm our ability to retain existing customers or obtain new customers and could result in revenue loss, any of which could have a material adverse effect on our business, financial condition and results of operations.

Our business operations may be materially and adversely affected by a shortage of labor.

The success of our operations relies in part on the availability of manual labor at rates acceptable to us. The competition for such personnel is intense in China, and there have been instances of shortages in the supply of labor in the Guangdong Province and the southern parts of the PRC. In the event of a shortage of labor, we may have difficulties recruiting or retaining labor for our production facilities at costs acceptable to us and our ability to maintain sufficient labor levels to satisfy our production needs may be harmed. In such event, our business and results of operations may be materially and adversely affected.

We may be adversely affected by certain recent adverse developments in the global financial markets and may not be able to obtain adequate financing on terms acceptable to us.

The plastic pipe manufacturing industry in which we operate is capital-intensive. In order to stay competitive and to meet the increasing demand of our products, we need to increase our capacity from time to time which may require, from time to time, substantial capital investment. We had made capital expenditures of RMB690.6 million for the year ended 31 December 2009. Our growth strategy and the capital-intensive nature of our business require significant amounts of financing. The recent adverse developments in the global financial markets have significantly reduced the availability of credit. Continuing global economic turmoil could inhibit our ability to draw on bank borrowings if we are unable to meet our financial obligations when they fall due. Such turmoil could also affect our ability to refinance our obligations or obtain new financing, and in turn may affect the implementation of our business strategies and expansion plans, in particular the construction of new facilities which require substantial capital expenditures. In addition, new developments and unforeseen events may occur that may require us to raise additional capital. We cannot assure you that we will be able to obtain additional financing on acceptable terms or at all. Any of the above-mentioned risks could have a material adverse effect on our business, results of operations and financial condition.

Our business activities are affected by seasonality effects in China.

Our products are principally used in infrastructure projects and residential and commercial construction. As such, the demand for these products tends to be seasonal and corresponds with increased construction activities in the late spring, summer and early fall, particularly in the northern part of China where changes in climate are more severe.

We generally experience a reduction in the sales of our products during the first and fourth quarters of the calendar year as a result of seasonal downtimes in Northeastern and Northwestern China due to extreme weather conditions and lower level of construction activities during the winter and the Lunar New Year holiday period in the PRC.

Any significant or prolonged adverse weather conditions that negatively affect the construction activities or slow the growth of new construction activities could also have a material adverse effect on our business, results of operations and financial condition.

There are title defects relating to certain properties occupied by us in Shunde and Sichuan.

There are title defects relating to certain properties that we currently occupy. These defects relate to properties in Shunde and Sichuan.

Buildings in Shunde. As of the Latest Practicable Date, we had not obtained the construction work planning permit and the building ownership certificate for one of our buildings in Shunde. This building has a total gross floor area of approximately 4,918 sq.m. and is being used by us as a research and development center and general office. We leased the land on which such building is situated from Foshan City Shunde District Longjiang Town Xixi Community Stock Cooperation (佛山市順德區龍江鎮西溪社區股份合作社) ("Xixi Community Stock Cooperation"), an Independent Third Party. Such lease is for a term of nine years and expires on 31 December 2018. As of 31 December 2009, the carrying amount of the such building in Shunde was RMB2.9 million and the construction cost of the building was RMB3.8 million. Our PRC legal adviser, Jun He Law Offices, has advised that such land is an allocated state-owned land and the prior approval of the PRC government is required before Xixi Community Stock Cooperation could lease it to us. Xixi Community Stock Cooperation did not obtain such approval.

As of the Latest Practicable Date, we have not obtained the construction work planning permit and the building ownership certificate for two buildings occupied by us in Shunde. These two buildings are situated on land owned by us and have a total gross floor area of approximately 10,534 sq.m. and are being used by us as warehouses. As of 31 December 2009, the carrying amount of such buildings in Shunde was nil and the total construction cost of the buildings was RMB4.9 million. As such buildings have been built for the purpose of temporary use, we did not intend or plan to obtain their title documents. As we plan to demolish these buildings, no remedial actions will be taken in relation thereto.

Our failure to obtain the requisite PRC government approvals, construction work planning permit and building ownership certificates may result in such buildings being considered illegal and unauthorized structures. Our PRC legal adviser, Jun He Law Offices, has advised us that the relevant governmental authorities may order the demolition, forfeiture or rectification of such buildings and/or require us to pay a fine of up to 10% of the construction cost of the buildings. If we are required to vacate these buildings, the research and development as well as warehousing operations carried out by us at such buildings would need to be relocated. Moreover, any restriction on our ability to use our general office could cause us to incur additional administrative expenses. We estimate that the cost of relocation would be approximately RMB50,000 and the relocation time would be around five days.

As the above buildings were not used in production, there was no revenue or profit contribution from them during the Track Record Period and the Directors do not consider them material to the Group's business and operations.

Land and facilities in Sichuan. We have leased a piece of land and the facilities thereon in Sichuan from Sichuan Jinlu Group Limited (四川金路集團股份有限公司) (the "Sichuan Lessor") for a term of three years from June 2009. The property has a total gross floor area of approximately 7,338 sq.m. and is used by us as office, factory and warehouse. As the Sichuan Lessor has not obtained the building ownership certificates for the relevant facilities, the implementation of the lease agreement between us and the Sichuan Lessor may be adversely affected if the Sichuan Lessor fails to obtain such ownership certificates due to challenges from relevant governmental authorities or other third parties. In such event, we will not be able to continue to use such building, and will need to relocate and incur additional costs and expenses, and our operations in Sichuan may be adversely affected. We are in the process of locating suitable alternative properties in Sichuan and estimate that the cost of relocation would be approximately RMB100,000 and the relocation time would be around a week. For the year ended 31 December 2009, these operations had revenue of RMB16.6 million, accounting for 0.3% of our total revenue for the year, and a loss of RMB2.4 million for the year. There was no revenue contribution from the Sichuan facilities for the years ended 31 December 2007 and 2008. As the affected property in Sichuan was a leased property and its revenue contribution was not material, the Directors do not consider it important to the Group's business and operations. As the defects and issues were on the part of the landlord and not on the part of the Group, no remedial actions can be taken by the Group in respect thereof.

We lack certain requisite environmental approvals for our production facilities in Henan.

We have leased certain property in Henan from the Hualin Group Bankruptcy Trustee (河南省華林集團工業有限公司破產管理人) (the "Hualin Bankruptcy Trustee") for a term of two years expiring on 31 December 2010. The property consists of four industrial buildings and ancillary structures with a total gross floor area of approximately 37,919 sq.m. On 23 April 2010, we participated in the auction for the assets of Henan Hualin Group Industry Co., Ltd. (河南省華林集團工業有限公司) ("Henan Hualin") and was successful in our bid for Henan Hualin's land and the buildings and production lines thereon in Henan (including the property leased by us) for a price of RMB119 million.

Neither the Hualin Bankruptcy Trustee nor Henan Hualin has obtained the requisite environmental approvals applicable to the property. Our PRC legal adviser, Jun He Law Offices, has advised us that due to the absence of such approvals, the relevant PRC environmental authorities may order us to cease our operations at the Henan site. If this were to happen, our operations at the Henan site would be disrupted and our business and results of operations there would be adversely affected. We estimate that the cost of relocation would be approximately RMB50,000 and the relocation time would be around a week. For the years ended 31 December 2008 and 2009, these operations had revenue of RMB157.4 million and RMB270.4 million, accounting for 4.3% and 5.1% of our total revenue, respectively, and profits of RMB3.2 million and RMB23.7 million, accounting for 2.4% and 3.7% of our consolidated profit, respectively. There was no revenue contribution from the Henan facilities for the year ended 31 December 2007. As of the Latest Practicable Date, we were in the process of obtaining the requisite environmental approvals. Even though according to the notice issued by the relevant local governments prior to the auction the local governments promised to provide support to the successful bidder in obtaining relevant governmental approvals, we cannot assure you that we will be able to obtain the requisite environmental approvals in time or at all.

Our non-compliance with social insurance contribution requirements under national and local laws and regulations may subject us to fines and other penalties.

Under the PRC national laws and regulations, our subsidiaries in the PRC are required to make mandatory contributions to a number of social insurance schemes, such as pension insurance, for their employees who are eligible for such benefits.

We provide social insurance to our employees in accordance with local governmental authorities' implementation policies, and we have received confirmation letters from the local governmental authorities indicating that we have made all requisite contributions to the social security insurance funds in a timely manner according to the local regulations, other than the housing provident fund contributions in respect of certain of our subsidiaries. Due to the different levels of development in social benefits in different parts of the PRC, the local policies in some places where we operate are less stringent than the requirements under the PRC housing provident fund laws and regulations. Due to the relatively high mobility of our workers (especially migrant workers), significant administrative resources are needed to properly administer housing provident fund contributions for all of our employees and as a privately-owned company, we did not allocate such resources in the past. According to the Regulations on Management of Housing Provident Fund (住房公積金管理條例), in the event that a company fails to carry out the formalities of opening the requisite housing provident fund accounts, such company will be ordered by the housing provident fund management centre to carry out the requisite formalities within a prescribed time limit, failing which a fine of up to RMB50,000 may be imposed. In the event that a company fails to make the requisite payment and deposit of the housing provident fund on time or underpays it, such company will be ordered by the housing provident fund management centre to make the requisite payment and deposit within a prescribed time limit, failing which an application may be made to the court for compulsory enforcement. In December 2009, we completed registration applications for the payment of housing provident fund contributions at the relevant PRC authorities and have commenced payments of housing provident fund contributions in respect of all eligible employees. As of the Latest Practicable Date, all of our subsidiaries have opened the requisite housing provident fund accounts and our PRC legal adviser, Jun He Law Offices, has advised that we would not be subject to any fines in relation to the opening of accounts. As of the Latest Practicable Date, we had not fully repaid all of the outstanding housing provident fund contributions but we have made, as of 31 December 2009, a provision of RMB18.0 million in respect of the overdue housing provident fund contributions for the Track Record Period. We will repay all outstanding housing provident fund contributions as and when requested by the housing provident fund management centre.

If the PRC government or the relevant local authorities implement more stringent laws and regulations, or interpret the existing laws and regulations more strictly, we may be required to incur additional expenses to comply with such laws and regulations, which in turn may materially and affect our results of operations.

We may not be able to adequately protect our intellectual property.

We rely on a combination of patents and trademarks to define and protect our intellectual property. We cannot assure you that any of our registered or unregistered intellectual property rights, or claims to such rights, will now or in the future successfully protect what we consider to be the intellectual property underlying our products in any or all of the jurisdictions in which we do business, or that our registered or unregistered rights subsequently will not be successfully opposed or otherwise challenged. We also cannot assure you that upon expiration of any of our patents, our competitors will not manufacture products or use technologies similar to ours.

To the extent that our innovations and products are not protected by patents, copyrights or other intellectual property rights, third parties (including competitors) may be able to commercialise our innovations or products or use our know-how, which could have a material adverse effect on our business, results of operations and financial condition. For additional information about our intellectual property and issues relating to infringement, see "Business — Intellectual Property".

In addition, legal protection of our intellectual property rights in one jurisdiction may not provide protection in markets in other jurisdictions which we may enter.

Any failure to maintain an effective quality control system at our production facilities could have a material adverse effect on our business, results of operations and financial condition.

The quality of our products is critical to the success of our business. This significantly depends on the effectiveness of our quality control system, which in turn depends on a number of factors, including the design of the system, the quality control training program, and our ability to ensure that our employees adhere to our quality control policies and guidelines. Any significant failure or deterioration of our quality control system could result in the production of defective or substandard products, delays in the delivery of our products, the need to replace defective or substandard products, and damage to our reputation.

If our products do not meet the specifications and requirements agreed with or requested by our customers, or if any of our products are defective, or result in our customers suffering losses as a result of product liability claims, we may be subject to product liability claims, claims for indemnity by our customers, and other claims for compensation. Although we maintain product liability insurance that we consider customary for our industry and our operations, we may still be subject to losses resulting from the risks that are not covered by the insurance we currently carry on. We may be subject to product liability claims and litigation and may incur significant legal costs regardless of the outcome of any claim of alleged defect. Products failure or defects, and any complaints or negative publicity resulting therefrom, could result in decreased sales of these or other products. As a result, if we face claims or litigation regarding the quality of our products, our business, financial condition and results of operations may be materially and adversely affected.

In the event of a material disruption of our operations, our business, results of operations and financial condition could be materially and adversely affected.

Our business operations, production facilities, information systems and processes are vulnerable to damage or interruption from fires, floods, power loss, telecommunications failures, bomb threats, explosions or other forms of terrorist activity and other natural and man-made disasters. These operations, facilities and systems may also be vulnerable to sabotage, vandalism, theft, security breaches and similar misconduct. Our disaster recovery procedures may not be sufficient to mitigate the harm that may result from any such event or disruption. In addition, our insurance and other safeguards may only partially reimburse us for our losses. Significant interruptions from any of these events could materially and adversely affect our business, results of operations or financial condition.

Our insurance coverage may not be sufficient to cover the risks related to our operations or any losses.

We may experience major accidents in the course of our operations, which may cause significant losses or damage. Any such accidents, and the consequences resulting from them, may not be covered adequately, or at all, by the insurance policies we carry. In accordance with customary practice in the PRC, we do not carry any business interruption insurance or third party liability insurance for losses or damage arising from accidents on our properties or relating to our operations, other than those relating to our vehicles. In addition, as a result of market conditions, premiums and deductibles for our existing insurance policies could increase substantially and, in some instances, our existing insurance may become unavailable or available only for reduced amounts of coverage. Losses and damage arising from accidents on our properties or relating to our operations may have a material adverse effect on our business, financial condition and/or results of operations if such losses or damage are not fully insured.

We will not be able to continue to enjoy our current preferential tax treatment.

In accordance with the PRC's tax regulations, certain of our subsidiaries in the PRC benefit from preferential tax treatment. Our Group's effective income tax rate, calculated as our Group's income tax expense divided by profit before tax from continuing operations, was 17.6%, 18.1% and 19.4% for the years ended 31 December 2007, 2008 and 2009, respectively. The New Income Tax Law revokes most preferential tax treatment for foreign-invested enterprises and adopts a unified income tax rate of 25% on most domestic enterprises and foreign-invested enterprises. However, some of the existing preferential tax treatments for foreign-invested enterprises will have a grace period of up to five years following the effective date of the New Income Tax Law. Accordingly, when the preferential tax treatment currently enjoyed by our PRC subsidiaries expires, we will be required to pay a greater amount of taxes, which may materially and adversely affect our results of operations.

See the section headed "Financial Information — Principal income statement components — Income tax" and note 10 to section II of the accountants' report set forth in Appendix I to this prospectus for further information on our tax status and the preferential tax treatment currently enjoyed by our PRC subsidiaries.

The Controlling Shareholder may take actions that are not in, or may conflict with, public Shareholders' best interests.

Immediately after the completion of the Global Offering and the Capitalization Issue, the Controlling Shareholder will own approximately 75% of the issued share capital of our Company, assuming the Over-allotment Option is not exercised. Therefore, the Controlling Shareholder will continue to be able to exercise a controlling influence over our business through its ability to control actions which do not require the approval of independent Shareholders. The Controlling Shareholder will also be able to control the election of our Directors, determine the timing and amount of our dividends, if any, and pass resolutions to acquire or merge with another company not connected with the Controlling Shareholder. Furthermore, the Controlling Shareholder may cause us to take actions that are not in, or may conflict with, the interests of us or our other Shareholders, which may place our other Shareholders in a disadvantageous position.

We may not be able to effectively manage our distributors, and our reputation, business and brand may be materially and adversely affected by actions taken by our distributors.

We have limited ability to manage the activities of our distributors, which are independent from us. Our distributors could take one or more of the following actions, any of which could have a material adverse effect on our business, prospects and brand:

- sell our products outside their designated areas, possibly in violation of the distribution rights of other distributors;
- fail to adequately promote our products; or
- violate the anti-corruption laws of the PRC or other countries where our products are sold.

Failure to adequately manage our distributors could harm our corporate image among end users of our products and disrupt our sales, resulting in a failure to meet our sales goals. Furthermore, we could be liable for actions taken by our distributors, including any violations of applicable law in connection with the marketing or sale of our products, including the PRC's anti-corruption laws. Recently, the PRC government has increased its anti-corruption measures. Generally, corrupt practices include acceptance of kickbacks, bribes or other illegal gains or benefits. Our distributors may violate these laws or otherwise engage in illegal practices with respect to their sales or marketing of our products. If our distributors violate these laws, we could be required to pay damages or fines, which could materially and adversely affect our financial condition and results of operations.

The construction of our new production facilities may not be completed in the timeframe or at the cost levels originally anticipated and, as a result, we may not be able to realize our expected production capacity increases or any related economic benefits.

We are constructing certain new production facilities as detailed in "Business — Production Facilities and Production Process — Production Facilities". The time involved in the construction of the above production facilities could be adversely affected by our failure to receive any regulatory approval or to obtain sufficient funding, by technical difficulties, by human or other resource constraints, or for other reasons. Moreover, these projects may exceed the cost levels originally anticipated. If our plans for constructing new production facilities experience delays or even cancellations, or if the start-up period for any of the new production facilities turns out to be substantially longer than we expected or the production capacity of any of the new production facilities fails to reach the originally designed levels, or if the costs involved in the construction of any of the new production facilities substantially exceed our original plans, we may not be able to attain the desired production capacity or obtain the intended economic benefits, such as economies of scale or the development of a production line for a new type of product, in full or in a timely manner, which may materially and adversely affect our business, results of operations and financial condition.

We had net current liabilities in recent periods and may have net current liabilities in the future.

We had net current liabilities of RMB499.3 million as of 31 December 2007 and RMB460.9 million as of 31 December 2008, although we had net current assets of RMB440.8 million as of 31 December 2009. Our net current liabilities position as of such dates was primarily attributable to amounts due to our related companies and directors as well as bank borrowings to finance our working capital requirements and certain of our capital expenditures and acquisitions. Our interest-bearing bank loans increased significantly from RMB468.7 million as of 31 December 2008 to RMB1,309.7 million as of 31 December 2009, of which RMB427.5 million were short term bank loans as of that date.

If we were to have a substantial net current liabilities position in the future, it could expose us to liquidity risk. Our future liquidity and the repayment of our outstanding debt obligations when they become due will primarily depend on our ability to maintain adequate cash inflows from operating activities and our ability to obtain adequate external financing. The net cash generated by our operating activities was RMB608.2 million for the year ended 31 December 2009. Our future cash flows from operating activities could be adversely affected by many factors beyond our control, including the demand in the plastic pipe and pipe fittings market and the cost of raw materials. Our ability to obtain additional external financing will depend on a number of factors including the economic and industrial policies of the PRC government, our future financial strength and our relationships with the lenders. We may not have sufficient future cash flows or obtain additional external financing in time or on terms acceptable to us and, as a result, we may not be able to refinance our short-term loans as they become due.

Our levels of indebtedness and interest payment obligations may materially and adversely affect our business.

Our current levels of debt and the instability in debt markets may affect our ability to secure funding for current operations and future production expansions. During the Track Record Period, we incurred an increasing amount of indebtedness (including bank borrowings and other borrowings) to finance our operations and refinance shareholder loans in anticipation of this Global Offering. As of 31 December 2007, 2008 and 2009, our total bank borrowings were RMB598.6 million, RMB468.7 million and RMB1,309.7 million, respectively.

We may seek additional financing in the form of loans for planned capital expenditures and future expansion plans. The level of our indebtedness and the amount of our interest payments could limit our ability to obtain the necessary financing or obtaining favorable terms for the financing to fund future capital expenditures and working capital. Such limitations could reduce our competitiveness and increase our exposure and sensitivity to adverse economic and industry conditions, which could have a material and adverse effect on our financial condition and results of operations.

We may be affected by actions of our connected persons to whom we have licensed certain of our patents and trademarks.

We have entered into various trademark licensing agreements and patent licensing agreements with certain connected persons pursuant to which we granted to the licensees non-exclusive licenses to use certain of our trademarks and patents. Although the licensing agreements provide for the scope and limitations of use and provisions for termination and damages in the event of breach by the licensees, there is no assurance that there will not be any breach of the licensing agreements or misuse of our licensed trademarks and patents by the licensees or that the licensees will compensate us as per the terms of such agreements for any breach committed by them. Any such breach or misuse may damage our brand and our business and our results of operations may be materially and adversely affected.

RISKS RELATING TO OUR INDUSTRY

The industry in which we operate is highly competitive, and a further increase in competition or productivity by our competitors may materially and adversely affect our market share and profit margins.

The plastic pipe industry in China is fragmented and competitive, with a large number of manufacturers throughout the country. We face competition in the sale of our products in the PRC as well as in other regional markets in which we compete. We believe that the principal competitive factors impacting the sale of our products include, depending on the particular product, the nature of the product, the quality and range of product lines and specifications, brand recognition, and the ability to supply products to customers in a timely manner and at competitive prices. Some of our potential competitors, which may consist of other PRC manufacturers of plastic pipes as well as foreign products that have entered into China through joint ventures or subsidiaries, could grow to have larger production capacities, greater brand recognition, greater technical, marketing and public relations resources, and geographical reach than we have. Our market share could be reduced if our competitors develop any new technology or new products, or offer products that are comparable or superior to ours at a lower price. Increased competition in the future could result in price reductions, reduced margins or other strains on our operations. If our competitors offer better quality products, services or better pricing, we may not be able to compete effectively and our revenue, market share and results of operations could be materially and adversely affected. See “Business — Competition” and “Industry Overview”.

We are subject to stringent environmental laws and regulations. Failure to comply with these laws and regulations could have a material adverse effect on our business, results of operations and financial condition.

We are subject to a broad range of increasingly stringent environmental laws and regulations in the PRC. These laws and regulations result in significant compliance costs and could expose our operations to substantial legal liability or place limitations on the development of our operations. In addition, changes to existing laws and regulations could require us to incur additional compliance costs or require costly and time-consuming changes to our operations, either of which could have a material adverse effect on our business, results of operations or financial condition. For details of such laws and regulations, see the section headed “Regulation”.

We are unable to predict future changes in environmental laws or enforcement policies or the ultimate cost of compliance with such laws and regulations. The requirements of existing environmental laws and enforcement policies have generally become stricter in recent years, and the trend is likely to continue. The regulatory environment in which we operate frequently changes and has seen significantly increased regulation in recent years. We may be adversely affected as a result of new or revised legislation or regulations or by changes in the interpretation or enforcement of existing laws and regulations. New regulations could require us to acquire costly equipment, refit existing plants, redesign products or to incur other significant expenses.

Failure to obtain or maintain permits could have a material adverse effect on our business, results of operations and financial condition.

We need permits for certain of our operations and products, and these permits and approvals are subject to modification and renewal by issuing authorities. These permits include permits for production and sale of plastic pipes used for water supply, permits for production of pressure pipes for gas supply, and certificates for plastic pipe products used in power supply and telecommunications. See the section headed “Regulation” for additional information regarding our permits. Failure to obtain or maintain these permits may result in the payment of fines or confiscation of products illegally produced and affect our operations. If such an event were to occur, our business and our results of operations may be materially and adversely affected.

RISKS RELATING TO THE PRC

All of our assets are located in the PRC, and all of our sales are derived from our operations in the PRC. Accordingly, our business, financial condition, results of operations and prospects are subject, to a significant extent, to economic, political and legal developments in the PRC.

PRC economic, political and social conditions, as well as government policies, could materially and adversely affect our business.

The PRC economy differs from the economies of most developed countries in many respects, including:

- its structure;
- the amount of government involvement;
- the level of development;
- its growth rate;
- the level of capital reinvestment;
- its control of foreign exchange; and
- the allocation of resources.

While the PRC economy has experienced significant growth during the past 20 years, this growth has been uneven, both geographically and among various sectors of the economy. The PRC economy has been transitioning from a planned economy to a more market-oriented economy. A substantial portion of productive assets in the PRC is still owned by the PRC government despite measures implemented by the PRC government since the late 1970s emphasising the utilization of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of improved corporate governance in business enterprises. The PRC government exercises significant control over economic growth through the allocation of resources, controlling payment of foreign currency denominated obligations, setting monetary and industrial policies and providing preferential treatment to particular industries or companies.

Recently, the PRC government has implemented a number of measures to prevent the economy and certain industry sectors from overheating. While some of these measures may benefit the overall economy in the PRC, they may have a negative effect on us. See, for example, the measures to control the growth of the infrastructure and real estate sectors discussed above under "A substantial part of our products are used in infrastructure and real estate construction; the PRC government has recently implemented several measures to control the growth of the infrastructure and real estate sectors, which could reduce demand for our products". Stricter lending policies may also impact our ability to obtain financing, which could adversely affect our growth.

Moreover, a decrease in the overall level of economic activities in the PRC, including demand for plastic pipe products, could result from changes in relations between the PRC and Taiwan or other political conditions or potential social instability arising from the increasing income disparity between the rich and poor associated with a rapidly developing economy in major cities and different parts of the PRC. Any such change may have a material adverse effect our business and results of operations.

We rely on dividend payments from our subsidiaries and associated companies for funding, and changes to foreign exchange regulations, fluctuations in the value of the RMB, or certain changes to PRC accounting requirements may materially and adversely affect our ability to pay dividends.

Under the current structure, our source of funds will primarily consist of dividend payments and repayment of inter-company loans by our subsidiaries in the PRC, whose sales are made in RMB. At present, RMB is not freely convertible to other currencies. Foreign invested enterprises are permitted to remit their net profit or dividends in foreign currencies out of the PRC or repatriate such profit or dividends after converting the same from RMB to foreign currencies through authorized banks. Foreign invested enterprises are also permitted to convert RMB to foreign currencies for items in their current accounts, including trade and service related foreign exchange transactions and payment of dividends to foreign investors. Foreign exchange transactions in their capital accounts, including the foreign currency capital in any foreign investment enterprise in the PRC, the repayment of the principal amount 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. In the event that future changes in relevant regulations place restrictions on the ability of the subsidiaries to remit dividend payments to us, the subsidiaries are unable to obtain SAFE approval to repay any loans to us or insufficient foreign exchange is available, our liquidity and ability to pay our obligations, and our ability to pay dividends in respect of the Shares, could be materially and adversely affected.

In addition, the value of the RMB against other foreign currencies is subject to changes in the PRC's policies and international economic and political developments. Effective from July 21, 2005, the RMB is no longer pegged solely to the US dollar. Instead, it is pegged against a basket of currencies, determined by the People's Bank of China, against which it can rise or fall by as much as 0.3% each day. On 18 May 2007, the PBOC enlarged the floating band for trading prices in the inter-bank foreign exchange market of the Renminbi against the US dollar from 0.3% to 0.5% around the central parity rate. However, if the exchange rate becomes volatile, if the RMB is be revalued further against the US dollar or other currencies or if the RMB is permitted to enter into a full or limited free float, then there may be in an appreciation or depreciation in the value of the RMB against the US dollar or other currencies. In addition, fluctuations in exchange rates may adversely affect the value, translated or converted into US dollars or Hong Kong dollars (which are pegged to the US dollar), of our net assets, earnings or any declared dividends. We do not maintain any hedging policy with respect to exchange rate risks.

Furthermore, the ability of our operating subsidiaries in the PRC to make dividend and other payments to us is restricted by PRC laws and regulations. PRC laws and regulations permit payment of dividends only out of accumulated profits, after making up prior year losses and allocations to various non-distributable reserve funds, as determined in accordance with generally accepted accounting principles in the PRC ("PRC GAAP") and applicable regulations. These regulations may restrict the amount of profit available for distribution from the operating subsidiaries, which could affect our liquidity and our ability to pay dividends. Moreover, the calculation of profit available for distribution under PRC GAAP may differ from profit available for distribution calculated under HKFRS. As a result, it is possible that we may not receive distributions from the operating subsidiaries, even if our HKFRS financial statements indicate that our operations have been profitable.

We may be deemed a PRC resident enterprise under the New Income Tax Law and be subject to the PRC taxation on our worldwide income.

We are a Cayman Islands holding company with substantially all of our operations conducted through our operating subsidiaries in China. Under the New Income Tax Law that took effect on 1 January 2008, enterprises established outside China whose "de facto management bodies" are located in China are considered "resident enterprises" for PRC tax law purposes and will generally be subject to the uniform 25% enterprise income tax rate as to their global income. Under the Regulations on the Implementation of Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法實施條例), a "de facto management body" is defined as the body that has the significant and overall management and control over the business, personnel, accounts and properties of an enterprise. In April 2009, the State Administration of Taxation promulgated a circular to clarify the definition of "de facto management bodies" for enterprises incorporated overseas with controlling shareholders that are PRC enterprises. It remains unclear, however, how the tax authorities will treat a case such as ours which includes an overseas enterprise invested in or controlled by another overseas enterprise that is ultimately controlled by a PRC individual resident and a Hong Kong permanent resident. Although we are currently not treated as a PRC resident enterprise by the relevant PRC tax authorities, substantially all of our management is currently based in China and will remain in China in the future. We cannot assure you that we will not be considered a PRC resident enterprise for PRC enterprise income tax purposes and be subject to the uniform 25% enterprise income tax on our global income.

Dividends payable by our Company to its non-resident shareholders may become subject to taxes under the PRC tax laws.

The New Income Tax Law and the Regulations on the Implementation of Enterprise Income Tax Law of the PRC provide that (i) if the enterprise that distributes the dividends is domiciled in the PRC, or (ii) if capital gains are realized from the transfer of equity interests of enterprises domiciled in the PRC, then such dividends or capital gains are treated as PRC-sourced income, and PRC income tax at the rate of up to 10% is applicable to such dividends or capital gains payable to overseas investors that are "non-resident enterprises". We have been advised by our PRC legal adviser, Jun He Law Offices, that if our Company is considered a PRC-resident enterprise for tax purposes, any dividends distributed by our Company to our Company's non-resident shareholders as well as gains realized by such shareholders from the transfer of our shares may be regarded as PRC-sourced income. As a result, such dividends and gains may be subject to PRC withholding tax at the rate of up to 10%, depending on the provisions of tax treaty between the PRC and the jurisdiction in which the non-resident shareholder resides.

As the New Income Tax Law and the Regulations on the Implementation of Enterprise Income Tax Law of the PRC have only been in effect from 1 January 2008, we have been advised by our PRC legal adviser, Jun He Law Offices, that it is uncertain as to how these laws and regulations would be implemented by the relevant PRC tax authorities. If our Company's dividend payments to our Company's non-resident shareholders are subject to PRC withholding tax, it may materially and adversely affect our shareholders' return on, and the value of, their investment in our Company.

The implementation of the new PRC Labor Contract Law and related regulations and the expected increase in labor costs in the PRC may materially and adversely affect our business and profitability.

The new PRC Labor Contract Law, which became effective on 1 January 2008, imposes more stringent requirements on employers in relation to entering into fixed term employment contracts, hiring of temporary employees and dismissing employees. In addition, under the newly promulgated Regulations on Paid Annual Leave for Employees, which came into effect on the same date, employees who have continuously worked for more than one year are entitled to a paid holiday ranging from 5 to 15 days, depending on their length of service. Employees who agree to waive their holiday time at the request of their employers must be compensated with three times their normal daily salaries for each holiday waived. As a result of the new law and regulations, our labor costs may increase. We cannot assure you that any disputes, work stoppages or strikes will not arise in the future. Increases in our labor costs and future disputes with our employees could have a material adverse effect on our business, financial condition or results of operations.

We are vulnerable to natural disasters and other events that could severely disrupt our operations.

Our production facilities are located in eight provinces across China. Significant damage or other impediments to any of these facilities, whether as a result of fire, weather, earthquakes or other natural disasters, disease, civil strife, industrial strikes, breakdowns of equipment, difficulties or delays in obtaining materials and equipment, terrorist incidents, industrial accidents or other causes could temporarily disrupt or shut down our operations, which would have a material adverse effect on our business, financial condition and results of operations. In addition, the production facilities of many of our suppliers and customers are located in China. If our customers are affected by such disruptions, it could result in a decline in the demand for our products. Similarly, if our suppliers are affected, our production schedule could be interrupted or delayed. As a result, a major disruptive event in China — even one that does not directly affect us — could severely disrupt the normal operation of our business and have a material adverse effect on our business, financial condition and results of operations.

Interpretation of PRC laws and regulations involves uncertainty that could adversely affect our business, results of operations and the value of our Shares and could limit the legal protections available to investors.

The PRC legal system is a civil law system based on written statutes. Unlike common law systems, it is a system in which prior court decisions have limited precedential value. Since 1979, the PRC government has promulgated laws and regulations governing economic matters such as foreign investment, corporate organization and governance, commerce, taxation and trade. This legislation has significantly enhanced the protections generally afforded to various forms of foreign investment in the PRC and, in particular, laws and regulations applicable to wholly foreign-owned enterprises. Many of these laws, regulations and legal requirements are relatively new. Accordingly, due to the limited volume of published cases and their non-binding nature, the interpretation and enforcement of these laws and regulations involves greater uncertainties than those in jurisdictions operating under common law systems. These uncertainties may limit the legal protections available to us and to our investors.

We cannot predict the effect of future developments in the PRC legal system, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the pre-emption of local regulations by national laws.

Any recurrence of severe acute respiratory syndrome (SARS), pandemic avian influenza or an increase in the severity of H1N1 flu (swine flu) or another widespread public health problem could materially and adversely affect our business, financial condition and results of operations.

From November 2002 to June 2003, the PRC and certain other countries and regions experienced an outbreak of a new and highly contagious form of atypical pneumonia known as SARS. On 5 July 2003, the World Health Organization declared that the SARS outbreak had been contained. However, a number of isolated cases of SARS were reported in the PRC in 2004. A renewed outbreak of SARS, pandemic avian influenza or an increase in the severity of swine flu or another widespread public health problem in the PRC, particularly at the locations of our operations and headquarters, could have a negative effect on our operations. Our operations may be affected by a number of health-related factors, including quarantines or closures of some of our offices and production facilities (which would severely disrupt our operations), travel restrictions, the sickness or death of our key officers and employees, import and export restrictions and a general slowdown in the PRC's economy. Additionally, the World Health Organization or the PRC government may recommend or impose other measures that could cause significant interruption to our business operations. Any of the foregoing events or other unforeseen consequences of public health problems could materially and adversely affect our business, financial condition and results of operations.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for the Shares and we cannot assure you that an active market will develop.

Prior to the Global Offering, there was no public market for the Shares. The initial Offer Price range to the public for the Offer Shares was the result of negotiations among us and the Joint Global Coordinators on behalf of the Underwriters. You should not view the Offer Price as any indication of the price that will prevail in the trading market. The market price for the Shares may decline below the Offer Price. We have applied to list in the Shares on the Stock Exchange. However, a listing on the Stock Exchange does not guarantee that an active and liquid trading market for the Shares will develop or be sustained following the Global Offering or in the future.

The liquidity and market prices of the Shares following the Global Offering may be volatile, which may result in substantial losses for investors purchasing Shares in the Global Offering.

The price and trading volume of the Shares may be highly volatile. The market price for the Shares may be influenced by many factors, some of which are beyond our control, including those described above under "Risks relating to our business". Other factors that may impact the market price for the Shares include actual or anticipated fluctuations in our or our competitors' operating results, announcements by us or our competitors of new products, capacity changes, significant contracts, acquisitions, strategic alliances or strategic investments, the growth rates of us and our competitors, the financial market and general economic conditions, changes in stock market analyst recommendations regarding us, our competitors or the plastic pipe industry generally, or lack of analyst coverage of the Shares, conditions in the plastic pipe industry in the PRC, additions or departures of key personnel, release of lock-up or other transfer restrictions on the outstanding Shares or sales of additional Shares, potential litigation or regulatory investigations, fluctuations in market prices for our products or the costs of raw materials and changes in accounting principles.

Any of these developments may result in large and sudden changes in the volume and price at which the Shares will trade. We can give no assurance that these developments will not occur in the future. In addition, shares of other companies listed on the Stock Exchange with significant operations and assets in the PRC have experienced substantial price volatility in the past, and it is possible that the Shares will be subject to changes in price that may not be directly related to our financial or business performance. Furthermore, there has been significant volatility in the market price and trading volume of securities of companies operating in the plastic pipe industry, which has often been unrelated to the operating performance of particular companies. As a result of these factors, you may not be able to resell your Shares at or above the Offer Price and you may suffer losses on your investment.

Sales or the perception of future sales of substantial amounts of the Shares in the public market after the Global Offering could adversely affect the prevailing market price of the Shares.

Immediately after completion of the Global Offering, we will have 3,000,000,000 Shares outstanding, of which 750,000,000 Shares, or 25%, will be publicly held by investors participating in the Global Offering and 2,250,000,000 Shares, or 75%, will be privately held by the Controlling Shareholder, assuming the Over-allotment Option is not exercised. The Offer Shares sold in the Global Offering will be eligible for immediate resale in the public market in Hong Kong without restriction, while the Shares held by the Controlling Shareholder may be sold in the public market subject to a lock-up of six months following the Listing Date pursuant to Rule 10.07 of the Listing Rules, as well as to a contractual lock-up as further described in the section headed “Underwriting”. If the Controlling Shareholder sells, or if there is a perception that the Controlling Shareholder will sell, a substantial amount of Shares, the prevailing market price for the Shares could be adversely affected and might make it more difficult for us to sell equity or equity-related securities in the future at a time and price that we deem appropriate.

Potential investors will experience immediate and substantial dilution as a result of the Global Offering.

Potential investors will pay a price per Share that substantially exceeds the per Share value of our tangible assets after subtracting our total liabilities and will therefore experience immediate dilution when purchasing Offer Shares in the Global Offering. As a result, if we were to distribute our net tangible assets to the shareholders immediately following the Global Offering, potential investors would receive less than the amount they paid for their Offer Shares. If we issue additional Shares in the future, you may experience further dilution. In addition, you may experience further dilution to the extent that Shares are issued upon the exercise of stock options.

The costs of share options granted under the Pre-IPO Share Option Scheme and to be granted under the Share Option Scheme may materially and adversely affect our results of operations and any exercise of the options granted may result in dilution to our Shareholders.

We adopted the Pre-IPO Share Option Scheme on 14 May 2010 pursuant to which we have conditionally granted to certain directors and employees (as set forth in Appendix VI to this prospectus) options to subscribe for Shares at a 30% discount to the Offer Price. Assuming an Offer Price of HK$2.60, being the low-end of the proposed Offer Price range, such options, if exercised in full, will represent approximately 3.70% of the issued share capital of our Company immediately after completion of the Capitalization Issue and the Global Offering as enlarged by the issue of Shares pursuant to the exercise of all options granted under the Pre-IPO Share Option Scheme in full, but without taking into account any Shares which may fall to be allotted and issued upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme. The value of the options granted under the Pre-IPO Share Option Scheme will be recognized as an expense and amortized on a straight line basis over the vesting period and hence may materially and adversely affect our results of operations. Issuance of Shares for the purpose of satisfying any award made under the Pre-IPO Share Option Scheme will increase the number of Shares in issue after such issuance, and thus may result in dilution to the percentage of ownership of our Shareholders and the net asset value per Share.

We have also adopted the Share Option Scheme pursuant to which we will in the future grant to our employees, directors, suppliers, customers and other eligible persons options to subscribe for Shares. No options had been granted pursuant to the Share Option Scheme as of the Latest Practicable Date. The fair value of the options at the date on which they are granted with reference to the valuer's valuation will be charged as share-based compensation, which may materially and adversely affect our results of operations. Issuance of Shares for the purpose of satisfying any award made under the Share Option Scheme will also increase the number of Shares in issue after such issuance and thus may result in dilution to the percentage of ownership of our Shareholders and the net asset value per Share.

Based on our valuer's valuation, the fair value of the options granted under our Pre-IPO Share Option Scheme as of the grant date is approximately HK$149.2 million (equivalent to approximately RMB130.9 million). The value of the options granted under our Pre-IPO Share Option Scheme will be recognized as an expense and amortized on a straight line basis over a period since the grant date of 21 May 2010 to the end of vesting period and hence, there will be an impact on our profit and loss accounts for 2010 through 2013. On the assumption that all options granted under the Pre-IPO Share Option Scheme are exercised, we estimate that there may be an impact of approximately RMB42.6 million, RMB52.9 million, RMB27.6 million and RMB7.8 million on our profit and loss accounts for the 2010, 2011, 2012 and 2013, respectively.

Details of the Pre-IPO Share Option Scheme and the Share Option Scheme and the options granted thereunder are set out in the sections headed "Pre-IPO Share Option Scheme" and "Share Option Scheme" in Appendix VI to this prospectus.

We cannot guarantee the accuracy of facts and statistics with respect to certain information obtained from official governmental or other industry sources contained in this prospectus.

Facts and statistics in this prospectus relating to the PRC, its economy and the plastic pipe industry derived from official governmental or other industry sources are generally believed to be reliable. However, we cannot guarantee the quality and reliability of such information. These facts and figures have not been independently verified by us, the Joint Sponsors or the Underwriters and, therefore, we, the Joint Sponsors and the Underwriters make no representation as to their accuracy or completeness. Furthermore, there can be no assurance that these sources have stated or compiled such facts and figures on the same basis or with the same degree of accuracy or completeness as may be the case elsewhere. In all cases, you should not unduly rely on these facts and statistics.

It may be difficult to effect service of process upon us or our Directors or executive officers who live in China or to enforce judgments against them from non-PRC courts or to enforce certain Hong Kong rules.

A significant portion of our assets and subsidiaries are located in the PRC. Most of our directors and officers reside within the PRC, and the assets of our directors and officers may also be located within the PRC. As a result, it may not be possible to effect service of process outside the PRC upon most of our directors and officers, including regarding matters arising under applicable securities laws. Moreover, a judgment of a court of another jurisdiction may not be reciprocally recognized or enforced if the jurisdiction does not have a treaty with the PRC or if judgments of the PRC courts have not been recognized before in that jurisdiction. The recognition and enforcements of judgements from other jurisdictions is also subject to the satisfaction of certain other requirements. The PRC does not have treaties providing for the reciprocal enforcement of judgments of courts with Japan, the United Kingdom, the United States and most other western countries. In addition, Hong Kong has no arrangement for the reciprocal enforcement of judgments with the United States. As a result, recognition and enforcement in the PRC or Hong Kong of judgments of a court in these jurisdictions in relation to any matter not subject to a binding arbitration provision is subject to uncertainties.

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

Our Company is a company incorporated under the laws of the Cayman Islands with limited liability and the laws of the Cayman Islands differ in some respects from those of Hong Kong or other jurisdictions where investors may be located. As a result, the rights of minority shareholders may not enjoy the same level of protection as would be provided under to the laws of Hong Kong or other jurisdictions.

Our corporate affairs are governed by our memorandum of association and Articles, the Companies Law and the common law of the Cayman Islands. The rights of shareholders to take legal action against the Directors and us, actions by minority shareholders and the fiduciary responsibilities of the Directors to us under 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 the Directors under 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, Cayman Islands has a less developed body of securities laws.

In addition, although we will be subject to the Listing Rules and the Hong Kong Codes on Takeovers and Mergers and Share Repurchases upon our Listing, holders of our Shares 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 Hong Kong Codes on Takeovers and Mergers and Share Repurchases do not have the force of law and provide only 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 management, directors or major shareholders than they would as shareholders of a Hong Kong company or companies incorporated in other jurisdictions.

For details further information on our constitution and Cayman Islands company law, see “Appendix V — Summary of the Constitution of the Company and Cayman Islands Company Law.”

You should not rely on any information contained in press articles or other media regarding the Group and the Global Offering.

Prior to the publication of this prospectus, there has been press and media coverage, including articles published in Hong Kong Economic Times on 1 June 2010, 5 June 2010 and 7 June 2010, Wen Wei Po on 1 June 2010 and 5 June 2010, Ta Kung Pao on 1 June 2010 and 7 June 2010, Ming Po Daily News on 7 June 2010, Sing Tao Daily on 7 June 2010, Hong Kong Daily News on 7 June 2010, am730 on 7 June 2010, iMoney on 5 June 2010, Sing Pao Daily News on 7 June 2010 and Hong Kong Economic Journal on 5 June 2010, regarding our Group and the Global Offering which included certain financial information, profit forecast and other information about our Group that does not appear in this prospectus. We have not authorized the disclosure of any such information in the press or media and do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. We disclaim all responsibilities and liabilities for any information appearing in publications other than this prospectus. Prospective investors should not rely on any such information and should only rely on information included in this prospectus in making any decision as to whether to purchase the Shares.

Forward-looking information may prove to be inaccurate.

This prospectus contains forward-looking statements and information relating to our business, operations and prospects that are based on our current beliefs and assumptions as well as information currently available to us. When used in this prospectus, the words “anticipate”, “believe”, “could”, “expect”, “intend”, “may”, “plan”, “prospects”, “seek”, “will”, “would” and similar expressions, as they relate to our business, are intended to identify forward-looking statements. Such statements reflect our current beliefs with respect to future events and are subject to various assumptions, risks and uncertainties including the risk factors described in this prospectus. Should any of the underlying assumptions or information prove incorrect, or should one or more of these risks or uncertainties materialize, actual results may diverge significantly from the forward-looking statements in this prospectus. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this prospectus are qualified by reference to this cautionary statement. We do not intend to update these forward-looking statements in addition to on-going disclosure obligations pursuant to the Listing Rules or other requirements of the Stock Exchange.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

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

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus and the Application Forms set out the terms and conditions of the Hong Kong Public Offering.

The Listing is sponsored by the Joint Sponsors. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to the agreement on the Offer Price between the Joint Global Coordinators (on behalf of the Underwriters) and our Company on or before the Price Determination Date. The Global Offering is managed by the Joint Global Coordinators. Further details of the Underwriters and the underwriting arrangements are set out in the section headed "Underwriting — Underwriting arrangements and expenses" in this prospectus.

SELLING RESTRICTIONS

Each person acquiring Offer Shares will be required to confirm, or by his acquisition of Offer Shares be deemed to confirm, that he is aware of the restrictions on offers and sales of the Offer Shares described in this prospectus.

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been publicly offered or sold, directly or indirectly, in the PRC or the United States.

INFORMATION ON THE GLOBAL OFFERING

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorized by our Company, the Joint Global Coordinators, the Joint Sponsors, the Underwriters, any of our or their respective directors, agents, employees or advisers or any other party involved in the Global Offering.

Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure and Conditions of the Global Offering," and the procedures for applying for the Hong Kong Public Offer Shares are set out in the section headed "How to Apply for the Hong Kong Public Offer Shares" and on the relevant Application Forms.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Application has been made to the Listing Committee for the listing of, and permission to deal in, our Shares in issue and to be issued pursuant to (i) the Global Offering (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option); and (ii) the exercise of any options that were granted or may be granted under our Pre-IPO Share Option Scheme and Share Option Scheme.

No part of the equity or debt securities of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or is proposed to be sought in the near future.

Under section 44B(1) of the Companies Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, our Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by or on behalf of the Stock Exchange.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, our Shares on the Stock Exchange and our Company's compliance with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in our Shares on the Stock Exchange or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for our Shares to be admitted into CCASS.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisors if they are in any doubt as to the tax implications of subscription for, purchasing, holding, disposing of and dealing in our Shares. It is emphasized that none of our Group, the Joint Global Coordinators, the Joint Sponsors, the Underwriters, any of our or their respective directors, agents or advisors or any other person involved in the Global Offering accepts responsibility for the tax effects or liabilities resulting from your subscription for, purchase, holding, disposal of, or, dealing in our Shares.

HONG KONG SHARE REGISTER AND STAMP DUTY

All Shares issued pursuant to applications made in the Global Offering will be registered on our Company's share register of members to be maintained in Hong Kong. Our principal register of members will be maintained by our Company's principal share registrar in the Cayman Islands.

Dealings in our Shares registered in the share register of our Company in Hong Kong will be subject to Hong Kong stamp duty.

Unless determined otherwise by our Company, dividends payable in Hong Kong dollars in respect of Shares will be paid to the shareholders listed on the Hong Kong share register of our Company, by ordinary post, at the shareholders' risk, to the registered address of each shareholder.

OVER-ALLOTMENT AND STABILIZATION

In connection with the Global Offering, J.P. Morgan Securities (Asia Pacific) Limited, its affiliates or any person acting for them, as stabilizing manager (the "Stabilizing Manager"), on behalf of the Underwriters, may effect transactions with a view to stabilizing or supporting the market price of our Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on the Stabilizing Manager, its affiliates or any person acting for them, to conduct any such stabilizing action.

In connection with the Global Offering, our Company is expected to grant to the International Underwriters the Over-allotment Option, which is exercisable in full or in part by the Joint Global Coordinators (on behalf of the International Underwriters) no later than 30 days after the last day for lodging applications under the Hong Kong Public Offering. Pursuant to the Over-allotment Option, our Company may be required to issue at the Offer Price up to an aggregate of 112,500,000 Shares, representing 15% of the total number of Shares initially available under the Global Offering, to, among other things, cover over-allotment in the International Placing, if any.

Further details with respect to stabilization and the Over-allotment Option are set out in the section headed "Structure and Conditions of the Global Offering — Stabilizing Action" in this prospectus.

PROCEDURES FOR APPLICATION FOR HONG KONG PUBLIC OFFER SHARES

The application procedures for the Hong Kong Public Offer Shares are set out in the section headed "How to Apply for the Hong Kong Public Offer Shares" in this prospectus and on the relevant Application Forms.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure and Conditions of the Global Offering" in this prospectus.

ROUNDING

Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Wong Luen Hei (黃聯禧)	Flat D, 59th Floor, Block 3 Sorrento, No.1 Austin Road West Tsim Sha Tsui, Kowloon Hong Kong	Chinese
Zuo Manlun (左滿倫)	Flat B, 12th Floor, Nanking Building, 1-F Nanking Street Yau Ma Tei, Kowloon Hong Kong	Chinese
Zuo Xiaoping (左笑萍)	Flat D, 59th Floor, Block 3 Sorrento, No.1 Austin Road West Tsim Sha Tsui, Kowloon Hong Kong	Chinese
Lai Zhiqiang (賴志强)	Flat 503, Block 2 Aoyuan Huating No.9, Xinguizhong Road Daliang Subdistrict Shunde District, Foshan City Guangdong Province China	Chinese
Kong Zhaocong (孔兆聰)	Flat 315, No.118, Qingning Road Chancheng District Foshan City Guangdong Province China	Chinese
Chen Guonan (陳國南)	Flat 5C, Jujinxuan, Liyayuan Guicheng Subdistrict Nanhai District, Foshan City Guangdong Province China	Chinese
Lin Shaoquan (林少全)	Flat 802, Unit 4, Junzhu Street Haizhu District, Guangzhou City Guangdong Province China	Chinese

Name	Address	Nationality
Huang Guirong (黃貴榮)	Room 1801, No. 37 Lvjingyi Road Chancheng District Foshan City Guangdong Province China	Chinese
Luo Jianfeng (羅建峰)	No. 36, Yuxing Street Yujing Garden Nanguo Road East Daliang Subdistrict Shunde District, Foshan City Guangdong Province China	Chinese
Non-executive Director		
Lin Dewei (林德緯)	Flat 2308, Block 2 No. 72 Dayuan Nonglinxia Road Yuexiu District, Guangzhou City Guangdong Province China	Chinese
Independent non-executive Directors		
Bai Chongen (白重恩)	Room 301, Building 23 Heshiyuan Heqing Street Haidian District Beijing China	Chinese
Fung Pui Cheung (馮培漳)	Flat 24B Tower 1, Elegant Terrace 36 Conduit Road Hong Kong	Canadian
Wong Kwok Ho Jonathan (王國豪)	No. 31 Pak Ngau Shek Ha Tsuen Lam Tsuen Tai Po Hong Kong	Chinese

PARTIES INVOLVED

Joint Bookrunners and Joint Lead Managers *(in alphabetical order)*	*Hong Kong Public Offering:* J.P. Morgan Securities (Asia Pacific) Limited 28th Floor, Chater House 8 Connaught Road Central Central, Hong Kong UBS AG, Hong Kong Branch 52nd Floor, Two International Finance Centre 8 Finance Street, Central Hong Kong *International Placing:* J.P. Morgan Securities Ltd. 125 London Wall London EC2Y 5AJ United Kingdom UBS AG, Hong Kong Branch 52nd Floor, Two International Finance Centre 8 Finance Street, Central Hong Kong
Joint Global Coordinators and Joint Sponsors *(in alphabetical order)*	J.P. Morgan Securities (Asia Pacific) Limited 28th Floor, Chater House 8 Connaught Road Central Central, Hong Kong UBS AG, Hong Kong Branch 52nd Floor, Two International Finance Centre 8 Finance Street, Central Hong Kong
Legal advisers to the Company	*As to Hong Kong and US law* Fried, Frank, Harris, Shriver & Jacobson 9th Floor, Gloucester Tower The Landmark 15 Queen's Road Central Hong Kong *As to PRC law* Jun He Law Offices 20th Floor, China Resources Building 8 Jianguomenbei Avenue Beijing 100005 PRC

	As to Cayman Islands law Maples and Calder 53rd Floor, The Center 99 Queen's Road Central Hong Kong
Legal advisers to the Underwriters	*As to Hong Kong and US law* Skadden, Arps, Slate, Meagher & Flom 42nd Floor, Edinburgh Tower The Landmark 15 Queen's Road Central Hong Kong
	As to PRC law Commerce and Finance Law Offices 6th Floor, NCI Tower A12 Jianguomenwai Avenue Beijing, PRC
Auditors and reporting accountants	Ernst & Young Certified Public Accountants 18th Floor, Two International Finance Centre 8 Finance Street, Central Hong Kong
Property valuer	CB Richard Ellis 34th Floor, Central Plaza 18 Harbour Road Wanchai, Hong Kong
Receiving bankers	Industrial and Commercial Bank of China (Asia) Limited 33rd Floor, ICBC Tower 3 Garden Road Central, Hong Kong
	Bank of China (Hong Kong) Limited 1 Garden Road Hong Kong

CORPORATE INFORMATION

Registered office	PO Box 309 Ugland House Grand Cayman KY1-1104 Cayman Islands
Principal place of business in Hong Kong	Unit 3, 12th Floor, Tower 2 South Seas Centre No. 75 Mody Road Tsim Sha Tsui East Kowloon, Hong Kong
Headquarters and principal place of business in China	Liansu Industrial Estate Longjiang Town Shunde District Foshan City Guangdong Province PRC
Company secretaries	Mr. Ong Chi King *FCCA CPA* Mr. Yuan Shuixian
Authorized representatives	Mr. Zuo Manlun Flat B, 12th Floor Nanking Building 1-F Nanking Street Yau Ma Tei, Kowloon Hong Kong Mr. Ong Chi King Flat D, 8th Floor, Yee Hoi Mansion 33 Tai Hong Street Lei King Wan Hong Kong
Audit committee	Mr. Fung Pui Cheung (*chairman*) Mr. Wong Kwok Ho Jonathan Mr. Lin Dewei
Remuneration committee	Mr. Wong Luen Hei (*chairman*) Mr. Zuo Manlun Mr. Fung Pui Cheung Mr. Bai Chongen Mr. Wong Kwok Ho Jonathan

Nomination committee	Mr. Wong Luen Hei (*chairman*) Mr. Zuo Manlun Mr. Fung Pui Cheung Mr. Bai Chongen Mr. Wong Kwok Ho Jonathan
Compliance adviser	Guotai Junan Capital Limited 27/F, Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong
Principal share registrar and transfer office	Maples Finance Limited PO Box 1093 Queensgate House Grand Cayman, KY1-1102 Cayman Islands
Hong Kong Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Principal bankers	Agricultural Bank of China, Longjiang, Shunde Foshan Sub-branch No. 5 Renmin Road South, Longjiang Town Shunde District, Foshan City Guangdong Province Foshan Shunde Rural Commercial Bank Company Limited, Longjiang Sub-branch No. 160 Feng Hua Road North, Longjiang Town Shunde District, Foshan City Guangdong Province
Company website address	www.liansu.com (information contained in this website does not form part of this prospectus)

This section contains certain information which is derived from official government publications and industry sources. While we have exercised reasonable care in compiling and reproducing such information from official government publications and industry sources, it has not been independently verified by us nor by any of the Joint Sponsors, any of the Joint Global Coordinators, any of the Underwriters, or any of our or their directors, officers, representatives or affiliates, or any party involved in the Global Offering. The information from official government publications and industry sources may not be consistent with information available from other sources within or outside the PRC. We, the Joint Sponsors, the Joint Global Coordinators, the Underwriters, or any of our or their respective directors, officers, representatives or affiliates, or any party involved in the Global Offering, do not make any representation as to the accuracy, completeness or fairness of such information from official government publications and industry sources and, accordingly, you should not unduly rely on such information.

THE CHARACTERISTICS AND APPLICATION OF PLASTIC PIPE PRODUCTS

Traditionally, piping systems, including both pipes and fittings, for applications such as water supply, drainage, power supply and telecommunications and gas supply, were primarily made of concrete or metal. More recently, plastic pipes and fittings began to replace traditional piping systems in the PRC as plastic piping systems offer many qualities and performance characteristics that are superior to those of concrete or metal piping systems, including:

- *Lightweight and easy and safe to install.* Plastic pipes weigh less and install faster than metal and concrete pipes. This feature means lower freight charges, less manpower and simpler handling equipment for installation and transportation. Assembling plastic pipes does not require the use of the traditional lead pot and torch used for the production of metal pipes. As a result, plastic pipe installation procedures save time and resources as well as reduce workplace hazards.

- *Low-energy manufacturing and low environmental impact.* Compared with metal and concrete alternatives, a significant benefit of plastic pipes is their low environmental impact. The manufacturing of plastic pipes used in the construction and transportation industries consumes less energy and causes less pollution than that of traditional concrete or metal pipes. Unlikely to leak and corrode, plastic pipes are used to contain and deliver water, waste, or chemicals without contamination by or of surrounding materials.

- *Chemical resistant and low maintenance.* Due to their chemical and corrosion resistant nature, interior and exterior surfaces of plastic pipes are not subject to chemical corrosion or electrolysis. A properly designed and installed plastic pipe and fitting system requires very little maintenance because there is no rust, pitting, or scaling to contend with, and the entire system can be buried in acidic, alkaline, wet or dry soils without protective coatings.

- *Durable and flexible.* Plastic pipes endure electric shocks and pressure, are resistant to corrosion and do not break or split easily. They are relatively flexible and can be bent to a greater degree than concrete or metal pipes. Due to these characteristics, plastic pipes are often chosen for building and construction applications in earthquake-prone areas or high pressure conditions.

- *No electric conductivity and low thermal conductivity.* Plastic pipes and fittings are non-conductive and immune to galvanic or electrolytic erosion, and therefore are often used as safe electrical conduit and power duct pipes. In addition, plastic pipes have low thermal conductance properties and can maintain more uniform temperatures when transporting fluids than metal or concrete pipes.

- *High flow capacity and low friction loss.* Because the interior surface of plastic pipes is generally smooth, less power may be required to transmit fluids in plastic pipes compared with concrete or metal pipes of the same diameter. Furthermore, the corrosion resistant nature of plastic pipes helps to maintain low friction loss over time.

- *Non-toxic and biological resistance.* Plastic pipes and fittings are generally non-toxic in nature and resistant to fungi, bacteria, or termite attacks.

Plastic pipes are made from a variety of plastic materials which have different characteristics suitable for different usages and in different environment. The most commonly used materials in the production of plastic pipes include PVC, PE and PP-R. Generally, HDPE (high density PE), LDPE (low density PE) and other PE pipes are collectively classified as PE pipes, while PVC-C and PVC-U pipes are collectively referred to as PVC pipes. The characteristics and applications of these plastic types are as follows:

Type	**General properties**	**Principal applications**
PVC	Resistant to most corrosive fluids. Has greater strength and rigidity than most other plastic pipes.	Residential and industrial drainage, waste and sewage systems, potable water systems, industrial and chemical process piping and cable conduits.
PE	Relatively high mechanical strength, chemical resistance and flexibility.	Potable water systems, irrigation and sprinkler systems, drainage, corrosive chemical transport, gas transport and cable conduits.
PP-R	Good high and low temperature properties.	Hot and cold water supply systems.

In China, plastic pipes are principally used in the following application categories: water supply, drainage, power supply and telecommunications, agriculture, gas supply, floor heating and fire-fighting. The following table sets out the main types of plastic pipes used in each application category:

Application category	**Sub-categories**	**Usages and types of pipes used**
1. Water supply	Indoor water supply pipes	Includes cold and hot water pipes for daily use, e.g. PVC-U, PP-R pipes and aluminium-plastic composite pipes
	Outdoor water supply pipes	Includes urban and rural water supply pipes, e.g. PVC-U, PE and GRP pipes
2. Drainage	Indoor drainage pipes	Includes waste and sewage discharge pipes. PVC-U pipes are mainly used
	Outdoor drainage pipes	Includes urban and rural sewage pipes, storm water and industrial sewage pipes. e.g. structural wall and solid wall pipes from PVC or PE
3. Power supply and telecommunications	Shield ducts	Includes various protective ducts used for electric cables and optical cables in the power supply and telecommunications sectors, e.g. HDPE silicon core ducts, PVC or PE structural wall and solid wall pipes
4. Agriculture	Irrigation pipes	Includes various PVC hoses, PVC and PE solid wall or structural wall pipes for irrigation purpose
5. Gas supply	Gas supply pipes	Mainly used in urban gas transportation and distribution pipe networks. PE gas pipes are mainly used
6. Floor heating	Heating pipes	PE-RT, PEX, PB pipes are mainly used
7. Fire-fighting	Fire-fighting pipes	Includes pipes with high compression resistance requirements, e.g. PVC-C and EP coated steel composite pipes
8. Others	Industrial pipes	Includes pipes used to transport liquid, gas and mixture of liquid and gas in industrial production

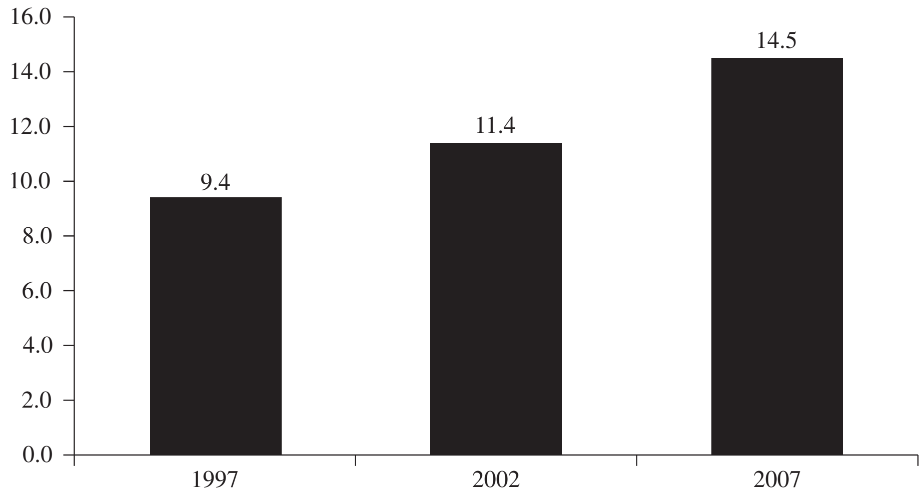
GLOBAL PLASTIC PIPE MARKET AND INDUSTRY

Global demand for plastic pipes

According to Freedonia, in 2007, global demand for plastic pipes was 14.5 million tonnes as compared to 11.4 million tonnes in 2002 and 9.4 million tonnes in 1997. The CAGR of global demand for plastic pipes from 1997 to 2007 was approximately 4.4% and from 2002 to 2007 was approximately 4.9%.

The chart below shows the global demand for plastic pipes in 1997, 2002 and 2007:

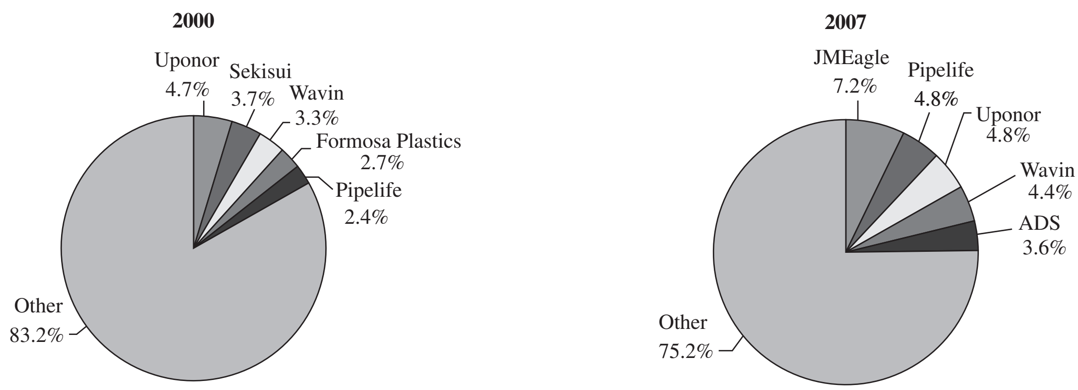
Global demand for plastic pipes in 1997, 2002 and 2007
(Unit: million tonnes)



Source: Freedonia

Structure of the global plastic pipe industry

Global plastic pipe market share in 2000 and 2007



Source: Freedonia

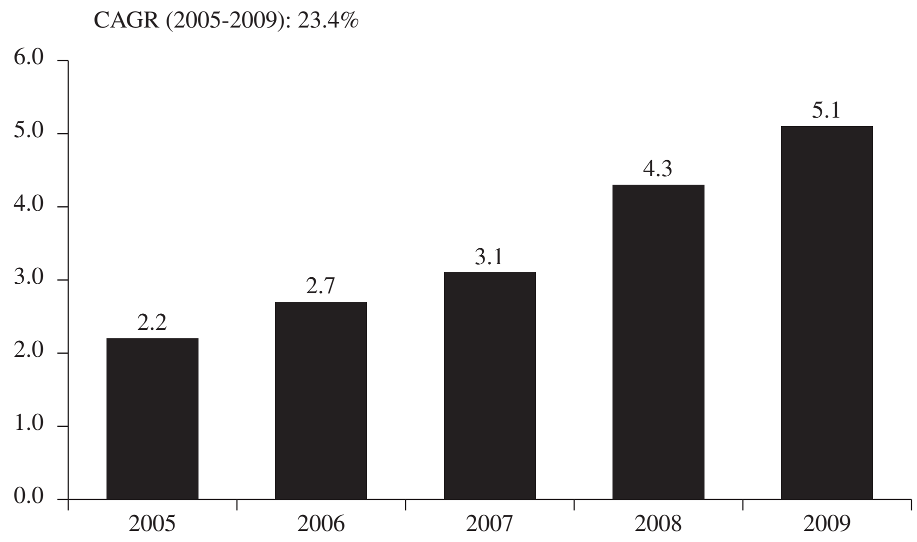
Globally, the plastic pipes industry is relatively fragmented. Since 2000, the global plastic pipes industry has been consolidating. In 2000 the top five manufacturers globally accounted for 16.8% of the market, rising to 24.8% in 2007.

CHINA'S PLASTIC PIPE MARKET AND INDUSTRY

Overview

In 2009, the total demand for plastic pipes in China reached 5.1 million tonnes as compared to 2.2 million tonnes in 2005. The CAGR for China's demand for plastic pipes from 2005 to 2009 was approximately 23.4% according to data provided by Market Avenue.

China's demand for plastic pipes, 2005 - 2009
(Unit: million tonnes)



Source: Market Avenue

Market Avenue projects that China's demand for plastic pipes will grow steadily through 2015 and estimates that from 2009 to 2015, China's demand for plastic pipes will increase at a CAGR of approximately 12.7%.

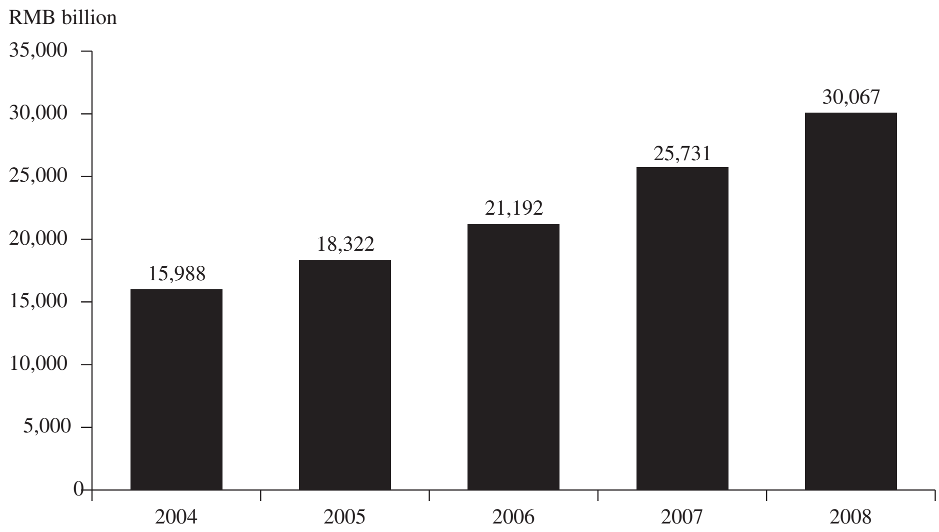
Growth drivers for China's plastic pipe industry

According to Market Avenue, fast economic growth, increased infrastructure projects and real estate construction activities, supportive government investments and policies and advanced technological developments are the key drivers for the growth of the plastic pipe industry in China.

Fast economic growth and increased urbanization in China drive demand for plastic pipes

In 2008, China's gross domestic product amounted to approximately RMB30 trillion, representing an increase of approximately 9.0% as compared with 2007. According to the National Bureau of Statistics, China's economy in 2008 displayed a rallying of product prices and improvement in residents' living standards. We believe China's economic development has laid a foundation for expansion of infrastructure construction which we expect to facilitate the continued development of China's plastic pipe market.

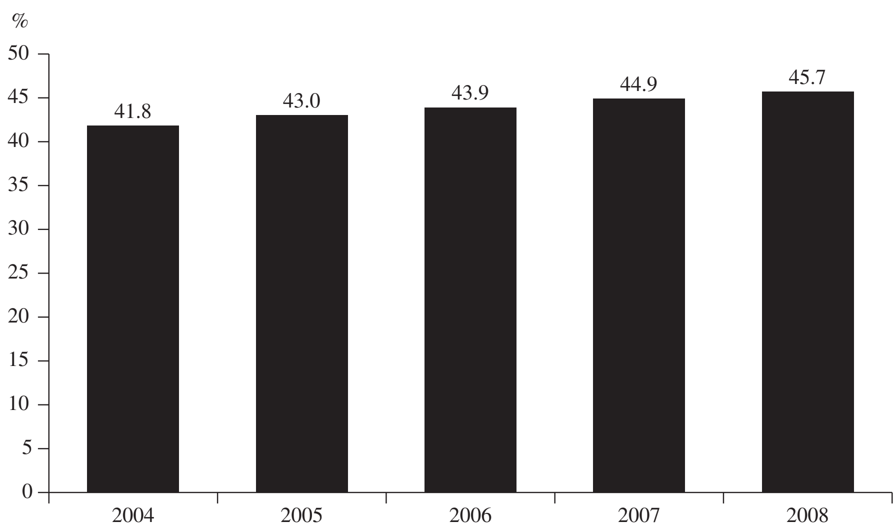
China's Gross Domestic Product, 2004 - 2008



Source: National Bureau of Statistics

The urbanization rate in China was 45.7% for 2008. China's recent increase in urbanization has resulted in, among other things, increased urban infrastructure construction, expansion of cities, an increase in urban population, and a general improvement in the economies of many of China's cities. Urbanization has also helped to further the development of China's construction and real estate industries, as indicated by the rapid increase of investment in real estate development in recent years, which has in turn helped to increase the demand for plastic pipes as part of the construction materials used.

Urbanization rate in China, 2004 - 2008



Source: National Bureau of Statistics

Increased infrastructure and real estate activities spur the growth of consumption of plastic pipes in China

According to Market Avenue, the increased infrastructure and real estate activities have helped to boost the consumption of plastic pipes in China. According to National Bureau of Statistics data, during the period between 2004 and 2008, China's total investment in fixed assets increased to RMB17,283 billion from RMB7,048 billion, representing a CAGR of approximately 25.1%. China's investment in real estate development in 2008 was approximately RMB3 trillion, representing a CAGR of approximately 24.1% from 2004. During the same period, demand for plastic pipes in China was growing at a CAGR of 23.7% according to data provided by Market Avenue.

The table below sets out year-on-year growth of China's fixed asset investment and its real estate development for the period between 2004 and 2008.

	2004	**2005**	**2006**	**2007**	**2008**	**2004-2008 CAGR**
	(RMB billion)	**(RMB billion)**	**(RMB billion)**	**(RMB billion)**	**(RMB billion)**	
Fixed asset investment	7,048	8,877	11,000	13,732	17,283	25.1%
Investment in real estate development	1,316	1,591	1,942	2,529	3,120	24.1%

Source: National Bureau of Statistics

Supportive government investments and policies help to stimulate the use of plastic pipes

In late 2008, the Chinese government put forward a RMB4 trillion economic stimulus package, a significant percentage of which was intended to drive further development of infrastructure in China.

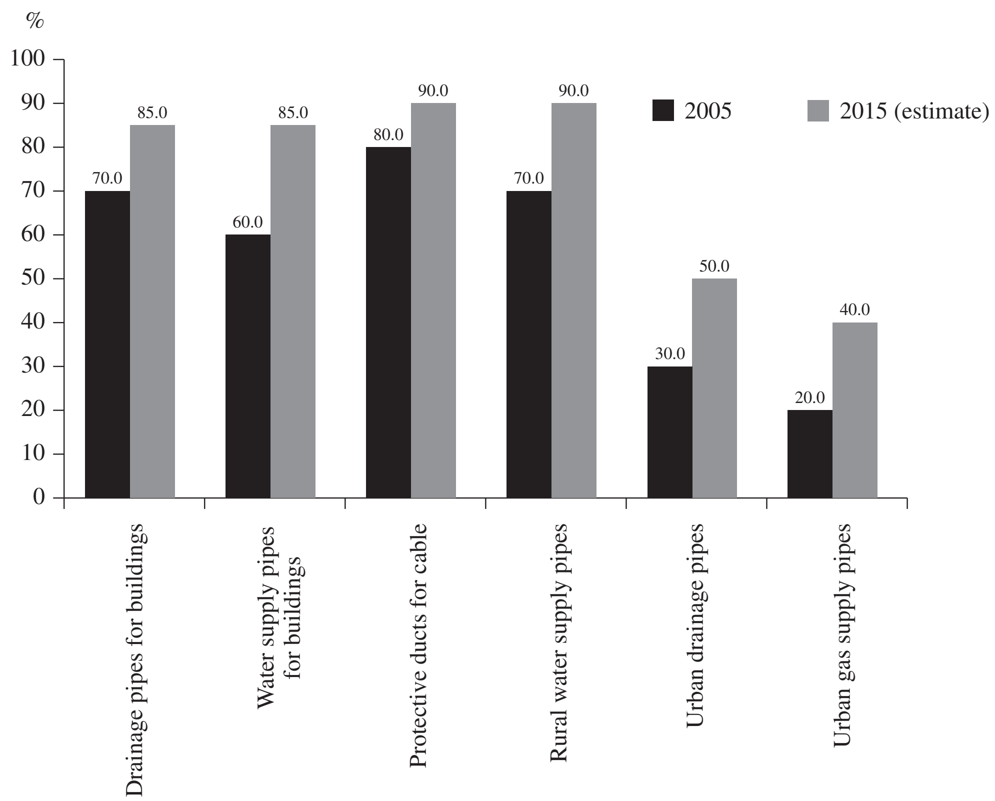
The following table sets out the details of the RMB4 trillion economic stimulus package.

Amount	**Proposed investments**
RMB1.5 trillion	Construction of major infrastructure facilities such as railways, highways and airports, hydraulic engineering, and the upgrade of urban power grids
RMB0.4 trillion	Civil engineering for low-income housing and low quality housing improvements
RMB0.4 trillion	Rural infrastructure facilities in relation to water, gas and electricity supply, roads and housing
RMB0.2 trillion	Energy saving, pollution reduction and ecological construction
RMB1.0 trillion	Post-earthquake reconstruction
RMB0.5 trillion	Other uses

Source: National Development and Reform Commission

Plastic pipes have been favored by the Chinese government in recent years due to their attractiveness as compared to pipes made from traditional materials. According to "(First Batch) Notice for "11th Five-Year Plan" of the Construction Industry Regarding Popularized Application and Prohibited-To-Use Technologies (《建設事業『十一五』推廣應用和限制禁止使用技術 (第一批)公告》) " promulgated by the Ministry of Construction in 2007, plastic pipes for certain applications are classified as recommended technologies while pipes made from certain traditional materials are classified as limited-to-use or prohibited-to-use technologies. The relevant regulatory departments of the Chinese government also promulgated documents such as "Several Suggestions on Strengthening Technical Innovation and Advancing Chemical Building Material Industrialization (《關於加強技術創新推進化學建材產業化的若干意見》)" and "The 10th Five Year Plan and 2015 Development Planning Outline for The State Industry of Chemical Materials for Construction (《國家化學建材產業『十五』計劃和2015年發展規劃綱要》)", which stipulated the application areas and development objectives for different kinds of plastic pipes. We believe that these policies may have helped to facilitate the promotion of the use of plastic pipes.

Plastic pipes as a percentage of all pipes used in China for new construction, renovation and expansion projects in 2005 and 2015 (estimate)



Source: The 10th Five Year Plan and 2015 Development Planning Outline for The State Industry of Chemical Materials for Construction (《國家化學建材產業『十五』計劃和2015年發展規劃綱要》)

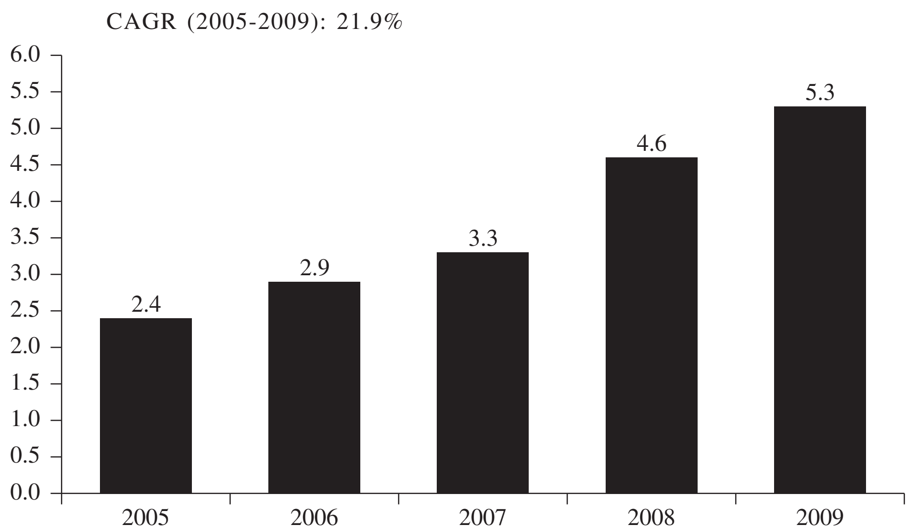
Advanced technological development allows better performance and widening applications of plastic pipes

According to Market Avenue, there have been significant developments in plastic pipe technologies in China in recent years. A number of Chinese enterprises have begun using more advanced production equipment, and many Chinese enterprises now attach importance to the research and development of new products and the introduction of new production technologies. According to Market Avenue, such technological improvements may have helped some Chinese companies to produce plastic pipes with different functionality and diameters, including eco-friendly products (such as GHPs), large scale products (such as large water drainage pipes of up to 3,000 mm in diameter), and products with physical and chemical modifications offering superior impact resistance while maintaining strength and flexibility (such as PVC-M pipes and PVC-U pipes). We believe such developments can help to enhance the performance of plastic pipes and expand their applications.

China's plastic pipe supply

According to Market Avenue, the total production volume of plastic pipes in China reached 5.3 million tonnes in 2009, an increase of approximately 15.2% from 4.6 million tonnes in 2008.

China's production of plastic pipes, 2005 - 2009
(Unit: million tonnes)

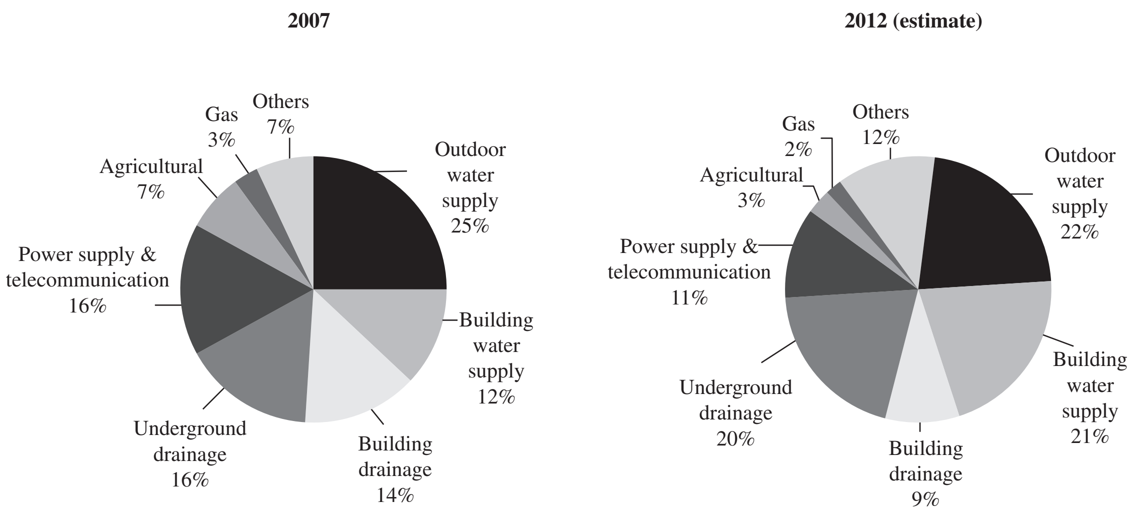


Source: Market Avenue

China's plastic pipe supply by application

According to Market Avenue, China's production of plastic pipes was 3.3 million tonnes in 2007, among which pipes used for water supply accounted for the highest volume, contributing approximately 37% of the total production volume. Market Avenue projects that at the end of 2012, pipes used for water supply will remain the largest contributor to China's total production of plastic pipes.

China's production volume of plastic pipes by application in 2007 and 2012 (estimate)



Source: Market Avenue

Note:

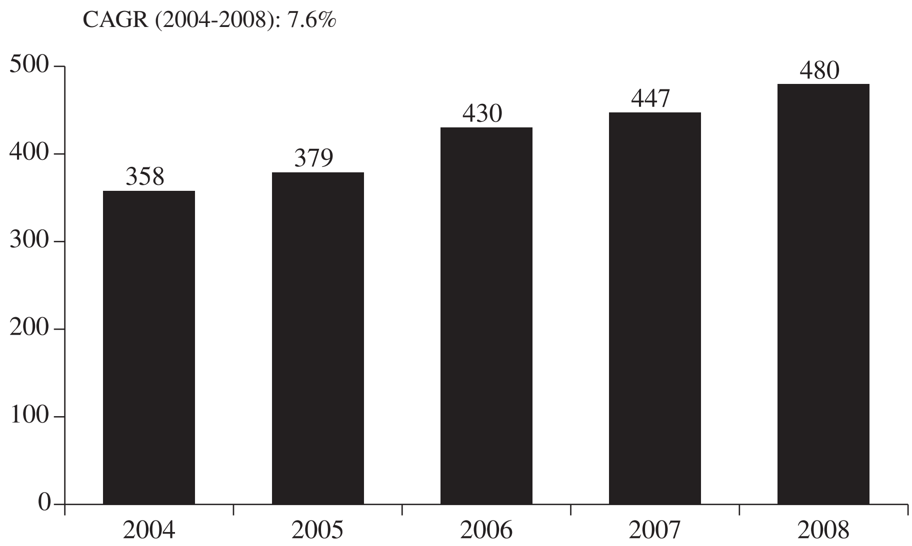
(1) "Others" consists of industrial and other applications, including fire-fighting and floor heating

Water supply

China's large population, rapid urbanization and limited water resources have helped to drive demand for the expansion and upgrading of its urban water supply networks. Accordingly, due to the attractive qualities of plastic pipes and supportive government policies, we expect that demand for plastic pipes for use in China's water supply systems will increase.

Under The 10th Five Year Plan and 2015 Development Planning Outline for The State Industry of Chemical Materials for Construction (《國家化學建材產業『十五』計劃和2015年發展規劃綱要》) issued in 2005, plastic pipes accounted for approximately 60% of China's building water supply pipes in 2005 and approximately 70% of China's rural water supply pipes that year. Under this Development Planning Outline, Chinese government authorities had set as a goal that by the end of 2015 approximately 85% of China's building water supply pipes and 90% of rural water supply pipes would be plastic pipes.

Length of urban water pipe networks in China, 2004 - 2008
(Unit: million meters)

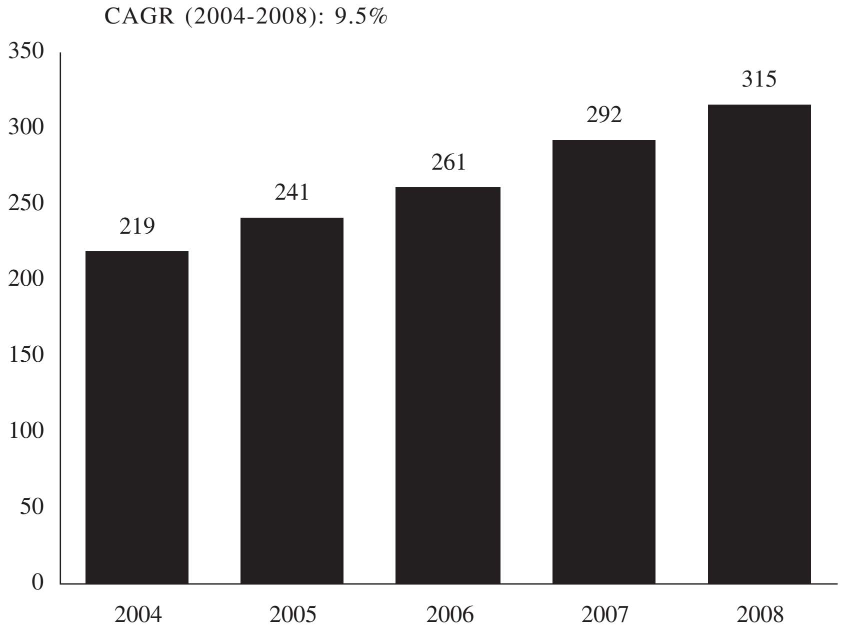


Source: National Bureau of Statistics

Drainage

We believe that demand for plastic pipes in drainage application is expected to continue to increase. As set out in The 10th Five-Year Plan and 2015 Development Planning Outline for The State Industry of Chemical Materials for Construction (《國家化學建材產業『十五』計劃和2015年發展規劃綱要》), plastic pipes accounted for approximately 30%, and are expected to account for approximately 50%, of China's urban water drainage pipes in 2005 and 2015, respectively.

Length of urban drainage pipes in China, 2004 - 2008
(Unit: million meters)



Source: National Bureau of Statistics

Power supply and telecommunication

Protective pipes are used to protect power supply and telecommunication cables. Protective pipes for power supply and telecommunications cables are often made of plastic due in part to their flexibility, light weight, small diameter, and the fact that they can be made to a variety of specifications. According to Market Avenue, China has been upgrading old electric power and telecommunications cable systems. At the same time, many new cities and towns, residential areas, industrial areas and roads are being built, which requires the laying of new power supply cable systems and telecommunications cable systems, creating further market demand for plastic protective pipes.

According to The 10th Five Year Plan and 2015 Development Planning Outline for The State Industry of Chemical Materials for Construction (《國家化學建材產業『十五』計劃和2015年發展規劃綱要》), government authorities have set as a goal that by 2015 plastic pipes are to account for approximately 90% of all pipes used to protect electrical wiring in building applications.

Agriculture

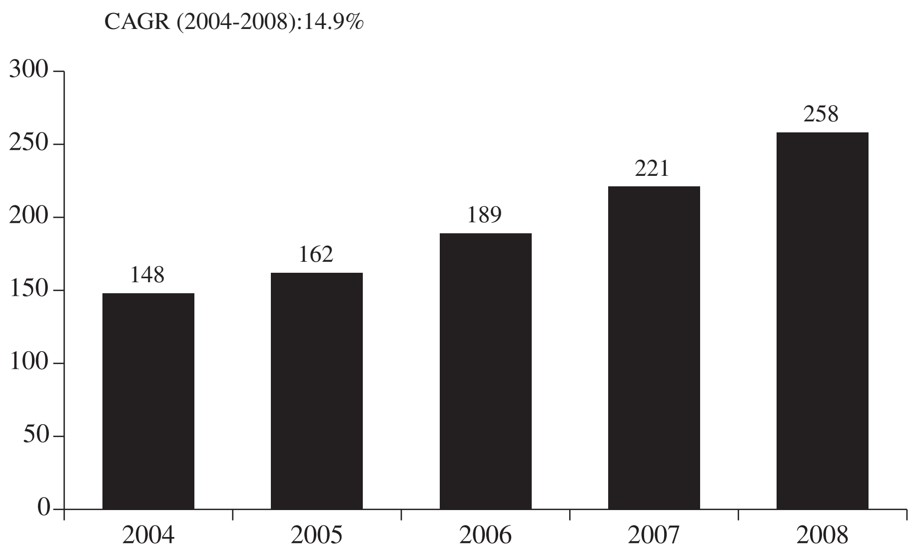
According to Market Avenue, the use of plastic pipes for agricultural purposes in China should grow over the long term due to the government's increasing concerns regarding the hygiene of water supply in agricultural areas and its motivation to develop rural water-saving irrigation systems and agricultural drainage. Under the 11th Five Year Plan, an additional 150 million mu of arable land in China is expected to begin using water-saving irrigation systems by the end of 2010. According to Water Saving Irrigation (《節水灌溉》), a publication of China's Ministry of Water Resources, these water-saving irrigation areas are expected to include (i) over 30 million mu of land that use low-pressure pipe irrigation systems, which may require 100,000 to 150,000 tonnes of plastic pipes; (ii) over 20 million mu of land that use spray irrigation systems, which may require 40,000 to 60,000 tonnes of plastic pipes; and (iii) over 9 million mu of land that use micro-irrigation systems, which may require 100,000 to 150,000 tonnes of plastic pipes.

Gas supply

Gas plastic pipes are gradually replacing traditional iron and steel pipes in low pressure and medium pressure (for pipes with diameters less than 250 mm) pipe networks. According to The 10th Five Year Plan and 2015 Outline for The State Industry of Chemical Materials for Construction（《國家化學建材產業『十五』計劃和2015年發展規劃綱要》), the use of plastic pipes in urban gas supply is expected to reach approximately 40% in 2015 as compared to approximately 20% in 2005.

The following chart shows the length of gas pipes in China from 2004 to 2008.

Length of gas pipes in China, 2004 - 2008
(Unit: million meters)



Source: National Bureau of Statistics

Floor heating

According to Market Avenue, floor heating systems using high temperature resistant plastic pipes have undergone rapid development and have gained in popularity throughout China, especially in the northern part of China. Plastic pipe floor heating systems deliver certain advantages over traditional heating systems. One notable advantage of floor heating systems is that, instead of just heating air to a certain temperature, floor heating systems also distribute heat evenly by circulating warm liquid or gas through a series of pipes installed beneath the floor.

The development of high-performance polymer materials has allowed some plastic pipe manufacturers to produce pipes with enhanced pressure resistance, reduced pipe thickness, increased gas flow and reduced material and production costs of plastic floor heating pipes. According to Market Avenue, these characteristics have helped to contribute to increased usage of plastic pipes for floor heating.

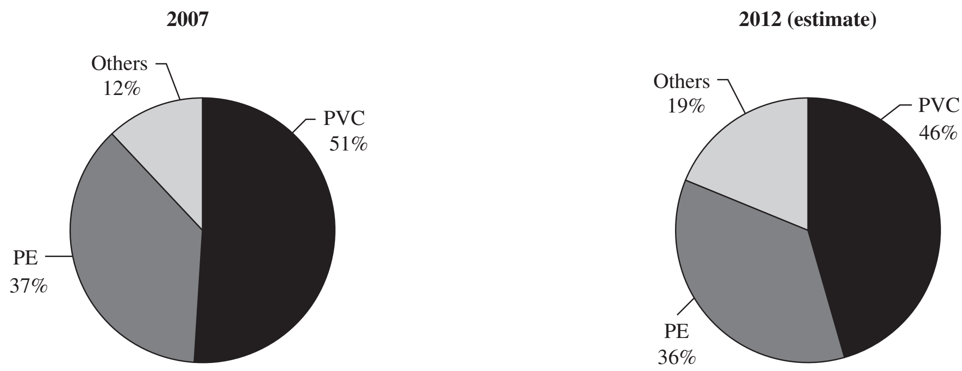
Fire-fighting

We believe the use of plastic pipes in the fire-fighting sector in China has potential for growth. Fire-fighting products are critical to the safety of property and personal safety. As such, the PRC government has been refining its fire-fighting policies and regulations and reinforcing the implementation of such regulations in the fire-fighting industry.

China plastic pipe supply by resin

PVC has been the most popular resin in use for plastic pipe manufacturing, which according to Market Avenue accounted for approximately 51% of total plastic pipe production volume in China in 2007, followed by PE, which accounted for approximately 37% during the same period. Going forward, PVC is expected to continue to be the dominant resin in use for plastic pipe manufacturing.

Percentage of production volume of China's plastic pipes by type of raw materials used in 2007 and 2012 (estimate)

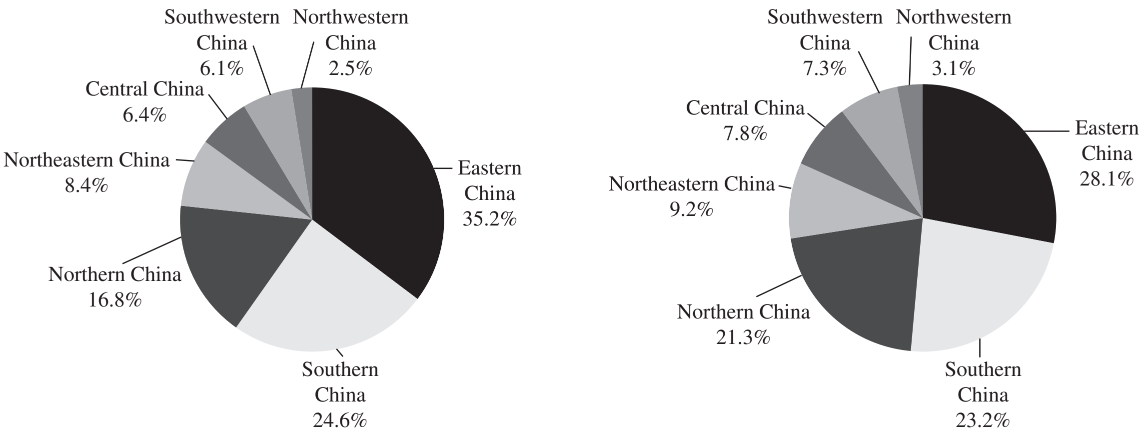


Source: Market Avenue

China plastic pipe supply by region

According to Market Avenue, the production volume of plastic pipes in Eastern China in 2007 accounted for approximately 35.2% of the total production volume of plastic pipes in China that year, exceeding the 24.6% share of China's production volume attributable to Southern China, the second largest region in terms of volume. Market Avenue projects that, by 2010, the gap between production volume of plastic pipes in Eastern China and Southern China will gradually narrow. By 2010, the proportion of the production volume of plastic pipes in Eastern China is expected to decline to approximately 28.1%, while the proportion of the production volume of plastic pipes in Southern China is expected to be approximately 23.2%. Due to the effect of national policies and the shift of regional development focus, Market Avenue expects that the proportion of production volume in Northern, Northwestern and Northeastern China will increase gradually over the next few years.

Regional production volume of plastic pipes in China in 2007 and 2010 (estimate)



Source: Market Avenue

Competition and challenges in China's plastic pipe industry

According to Market Avenue, the plastic pipe industry in China is fragmented and highly competitive with a large number of manufacturers throughout the country. Chinese manufacturers face competition from both domestic competitors as well as foreign competitors who have entered into the China market through joint ventures or subsidiaries. According to Market Avenue, plastic pipe manufacturers in China compete primarily on the nature and quality of products, range of product offerings, brand recognition, and the ability to supply products to customers in a timely manner and at competitive prices. According to Market Avenue, in order to maintain and capture market share and improve profitability, Chinese plastic pipe manufacturers may seek to expand their production scale, product offerings and extend their geographical reach, as well as improve their product quality, brand recognition, technology and increase their marketing efforts.

According to Market Avenue, the barriers to entry in the plastic pipe industry have been generally increasing in recent years and this increase is primarily driven by the following factors:

- *Development of industry standards.* To help improve the quality of plastic pipe products in China in order for them to keep up with international standards, the Chinese government and the relevant plastic pipe industry associations have introduced more than 100 industry standards in recent years. These industry standards have put more stringent requirements on the design, production process and quality control of plastic pipe products and therefore put pressure on the plastic pipe manufacturers to further invest in production facilities and improve their technical capabilities in order to comply with these standards.

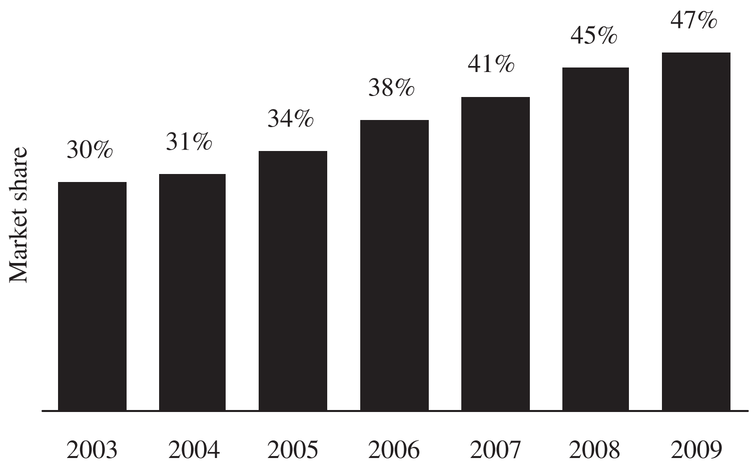
- *Economies of scale.* To better fulfill customers' project requirements and needs, many plastic pipe manufacturers seek to provide a more comprehensive range of plastic pipes and pipe fittings. According to Market Avenue, given the large variety of types of plastic pipe products in the market, only those players whose size and offerings are large enough can achieve economies of scale by offering a comprehensive range of plastic pipes.

- *Customer requirements.* As plastic pipes are typically embedded inside of buildings and infrastructure structures during construction, it is often difficult and costly to replace them once construction is completed. Therefore customers such as large real estate developers and local governments may prefer to procure plastic pipes from manufacturers with an established reputation. It often takes years for a plastic pipes manufacturer to build up a reputation in the industry.

In recent months, the Chinese plastic pipe industry's end-users in the infrastructure and real estate construction sectors have been impacted by a series of anti-inflationary measures implemented by the Chinese government. To the extent these plastic pipe end users are impacted by these measures, the plastic pipe industry in China may also be impacted. See "Risk Factors — Risks Relating to Our Business — A substantial portion of our products are used in infrastructure and real estate construction; the PRC government has recently implemented several measures to control the growth of the infrastructure and real estate sectors, which could materially and adversely impact demand for our products."

Structure of China's plastic pipe industry

Combined market share of top 20 plastic pipes players in China, 2003 - 2009



Source: Market Avenue

According to Market Avenue, the plastic pipe industry in China has become more concentrated in recent years; while the top 20 plastic pipe manufacturers by production volume only had a 30% share of China's plastic pipes market in 2003, the top 20 plastic pipe manufacturers by production volume had a 47% share of the plastic pipes market in 2009.

The table below shows the rankings of China's top five plastic pipe manufactures by sales revenue from pipe products in 2008.

Rankings of China's top five plastic pipe manufacturers by sales revenue from pipes products in 2008

Plastic pipe manufacturer	Sales revenue (RMB million)
1. The Company	3,619
2. Player A (Zhejiang)	897
3. Player B (Hubei)	845
4. Player C (Fujian)	830
5. Player D (Hebei)	699

Source: CPPIA and public annual reports

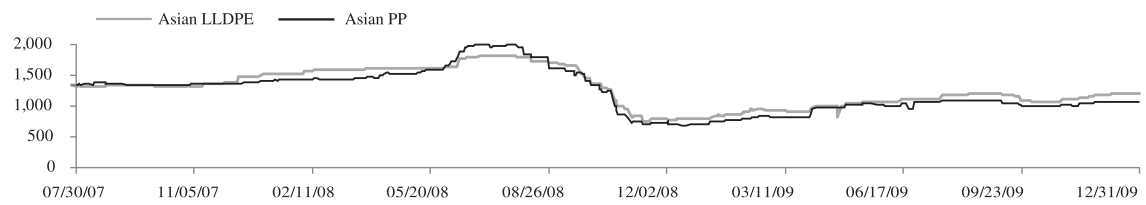
Pricing of plastic pipe products and raw materials

In China's plastic pipe industry, product pricing is typically determined either through competitive bidding process (in the case of large-scale civil or municipal projects) or individual negotiations with the distributors or direct customers, and product pricing is dependent upon, among others, production costs and the prevailing market prices for similar products. Given that raw material costs generally form the largest component of plastic pipes producers' cost of sales, fluctuations in raw material prices can have a significant effect on the pricing policies of pipe producers.

The principal raw materials for plastic pipes and pipe fittings are plastic resins such as PVC, PE and PP-R. Prices for plastic resins are generally subject to cyclical fluctuations and other market disturbances, including as a result of refinery capacity. Prices for petrochemical based plastic resins have in recent years been significantly impacted by changes in natural and crude oil prices. In China, where PVC resins are primarily manufactured using coal and limestone, as opposed to petrochemicals that are primarily used in other parts of the world, PVC prices have been impacted by changes in PVC manufacturers' electrical and labor costs, changes in coal prices and fluctuations in the price of petrochemical based PVC resins on the global market. See "Risk Factors — Risks Relating to Our Business — Our financial performance is dependent on the cost and continued availability of plastic resins".

With respect to PE and PP, market prices have also fluctuated significantly in recent years, with the London Metal Exchange's lowest Asian one-month future settlement prices for 2008 for LLDPE and PP amounting to 40.9% and 33.8% of the respective highest prices for 2008. The LME Asian one-month future settlement prices for LLDPE and PP at year-end 2009 was 53.5% and 52.9% higher than the respective prices at year-end 2008. Below is a linear chart presenting the price trend from July 2007 to December 2009 for the LME's one-month future settlement prices for Asian LLDPE and PP.

Asian LLDPE and PP 1-month future settlement price on the London Metal Exchange (USD/tonne)



Source: Bloomberg

BUSINESS DEVELOPMENT

Mr. Wong Luen Hei, the founder of our Group and the chairman of our Company, began our plastic pipe manufacturing business in 1996, when he established our first production facility in Shunde, Guangdong Province. In the same year, Shunde Liansu Industrial, a company that is wholly-owned by Mr. Wong and his wife Ms. Zuo Xiaoping, was established and started selling plastic pipe products. Mr. Wong and his wife Ms. Zuo then gradually developed the sales network, suppliers and customers bases for the business by means of physical visits, individual negotiations and establishment of relationships with distributors, suppliers and customers.

Prior to 2001, our operations were principally focused in the Guangdong Province. Starting in 2001, we began to expand our operations to other parts of the PRC. We also began to diversify our product range by offering dedicated pipes for particular industries. From 2001 to 2009, we added ten production facilities for plastic pipes and pipe fittings in eight provinces across the PRC. To date, we have production facilities for plastic pipes and pipe fittings in Guangdong, Guizhou, Sichuan, Hubei, Jiangsu, Henan, Hebei and Heilongjiang provinces. We expanded from one production facility in Guangdong in 1999 to 11 operational production facilities for plastic pipes and pipe fittings in eight provinces across the PRC in 2009.

Prior to 2003, our products were sold exclusively within the PRC. Beginning in 2004, we sold our plastic pipes and pipe fittings outside the PRC to customers in Africa and North and South America as well as certain countries in South East Asia. We continue to derive the majority of our sales within the PRC, with overseas sales accounting for only a small portion of our revenue. For the year ended 31 December 2009, revenue generated by sales to customers located outside China accounted for 0.6% of our total revenue.

In 2004, our research and development center was recognized as a "Guangdong Provincial Plastics Pipe Engineering Technology Research and Development Center" (廣東省塑料管道工程技術研究開發中心) by the Science and Technology Department of Guangdong Province (廣東省科學技術廳), Development and Reform Commission of Guangdong Province (廣東省發展和改革委員會) and The Economic and Trade Commission of Guangdong Province (廣東省經濟貿易委員會). In addition to our in-house research and development center, we have also pursued cooperation opportunities with external academic institutions. For further details on our research and development efforts, please refer to the section headed "Business — Research and Development".

Our Liansu brand was registered as a trademark in the PRC in 1996. In 2005, our Liansu brand was recognized as a "China Well-known Trademark" (中國馳名商標) by the Trademark Office of the State Administration for Industry and Commerce of the People's Republic of China (中華人民共和國國家工商行政管理總局商標局). As of 13 May 2010, we owned 127 trademarks and had applied for an additional 21 trademarks in China. In addition, we have registered our Liansu brand in 18 other countries and regions.

CORPORATE DEVELOPMENT

Set forth below is a summary of the key corporate structure changes that our Group carried out prior to the Reorganization.

- In 1996, Shunde Liansu Industrial was established as a company in the PRC by Mr. Wong and his wife Ms. Zuo Xiaoping.

- In December 1999, Shunde Liansu Industrial and EI TI HK jointly established Guangdong Liansu Technology with Shunde Liansu Industrial holding 74% and EI TI HK holding the remaining 26%.

- In May 2001 and June 2002, Wuhan Liansu and Heshan Liansu were respectively established.

- In July 2003, Guiyang Liansu was established.

- In October 2003, Mr. Wong established Liansu HK in which he indirectly held 100% beneficial interest through two offshore holding companies, being Great China International and Starcorp Investment.

- In July 2005, Guangdong Liansu Municipal Engineering, a company that produces principally plastic pipe raw materials, was established.

- In October 2005, Hebei Liansu was established.

- In October 2005, in order to expand our presence to Heilongjiang province, Guangdong Liansu Technology acquired 60% of the equity interest in Daqing Liansu for a consideration of RMB0.3 million. The RMB0.3 million consideration was paid in cash to Mr. Su Guisheng, an Independent Third Party, through two trustees, Mr. Kong Zhaocong and Mr. Huang Guirong (the "Trustees"), both of whom were employees of Guangdong Liansu Technology at that time. At the same time, Guangdong Liansu Technology, via the Trustees, further injected an additional RMB5.5 million in cash capital into Daqing Liansu, increasing its registered capital from RMB0.5 million to RMB6.0 million. Upon the completion of the acquisition and the capital injection, the Trustees held 96.67% interest in Daqing Liansu. At the time of the October 2005 acquisition, Daqing Liansu did not have any production facilities. Prior to the October 2005 acquisition, Daqing Liansu was owned by three individuals who were Independent Third Parties and sold our products as one of our distributors. At the time of the October 2005 acquisition, the Trustees were our staff responsible for this distributor relationship with Daqing Liansu's original shareholders and, as such, had an established working relationship with Daqing Liansu's original shareholders. When we decided to acquire Daqing Liansu, in view of the established relationship between the Trustees and Daqing Liansu's original shareholders, we were of the view that it would facilitate the negotiations and increase the chance of success of the acquisition if it was made through the Trustees. Our PRC legal adviser, Jun He Law Offices, has advised that the trust arrangement is legal, valid and enforceable under PRC laws between the principal and the trustees.

- In November 2006, the Trustees acquired the remaining 3.33% interest in Daqing Liansu from Mr. Liu Mingyue and Ms. Chen Xiulan, both Independent Third Parties, for a consideration of RMB200,000, determined with reference to the then amount of registered capital of Daqing Liansu and settled in cash. In August 2008, for the purpose of offshore reorganization, Guangdong Liansu Technology acquired the entire registered capital of Daqing Liansu from the Trustees.

- In 2005 and 2007, in order to group our PRC operating subsidiaries under Liansu HK, Liansu HK acquired 74% and 26% equity interests in Guangdong Liansu Technology from Shunde Liansu Industrial and EI TI HK, for consideration of HK$37 million and HK$13 million, respectively, which amounts were determined based on arm's length negotiations between the parties and settled in cash. Following the acquisition from EI TI HK in 2007, Guangdong Liansu Technology became a wholly-owned subsidiary of Liansu HK.

- In June 2006, October 2007, October 2007 and December 2007, Nanjing Liansu, Changchun Liansu and Henan Liansu, and Urumqi Liansu were respectively established.

- In December 2007, Wuhan Liansu Mold, a company that is principally engaged in the manufacturing of plastic pipe moulds, was established.

- In July 2009, Sichuan Liansu was established.

- In October 2009, Guangdong Liansu Technology acquired the entire issued share capital of Zhongshan Walton from Guangdong Liansu Electric at a consideration of RMB19,380,000. The consideration was determined with reference to the valuation of net assets of Zhongshan Walton as of 31 May 2009 and settled in cash. The results of Zhongshan Walton have been consolidated in the Group's results as from the time when Zhongshan Walton first came under the control of Mr. Wong in April 2008. After we acquired Zhongshan Walton, we were able to expand our product offerings to include plastic-steel composite pipes and pipe fittings. See the paragraph headed "Acquisition of Zhongshan Walton" as set out in note 29(a) to section II of the accountants' report included as Appendix I to this prospectus.

- In November 2009, in order to try to enhance our import and export capabilities, Guangdong Liansu Technology acquired the entire issued share capital of Foshan Liansu from Foshan Xingzhan Investment Co., Ltd. (佛山市星展投資有限公司), an Independent Third Party, at a consideration of RMB5,000,000. The consideration was determined with reference to the then amount of registered capital of Foshan Liansu and settled in cash. Foshan Liansu specializes in the import and export of plastic pipes. Prior to the acquisition, Foshan Liansu was mainly engaged in the import and export of our products and those of our related parties, such as Guangdong Liansu Profiles. Prior to the November 2009 acquisition, we had permitted Foshan Liansu to use the "Liansu" name as its principal business was providing services to us and our related parties. We believe that the operations of Foshan Liansu are complementary to those of our business and, as such, we believe the Foshan Liansu acquisition has the potential to help us grow our business.

REORGANIZATION

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 5 November 2009. In preparation for this Global Offering, we undertook a Reorganization of our Group, pursuant to which Mr. Wong transferred his interest in the entire issued share capital of Great China International and Starcorp Investment to our Company for consideration of US$2.00, following which the Company became the holding company for all of our subsidiaries. The Reorganization was completed on 11 November 2009. Details of the Reorganization are set forth in "Appendix VI — Statutory and General Information — Further Information about our Group — Reorganization".

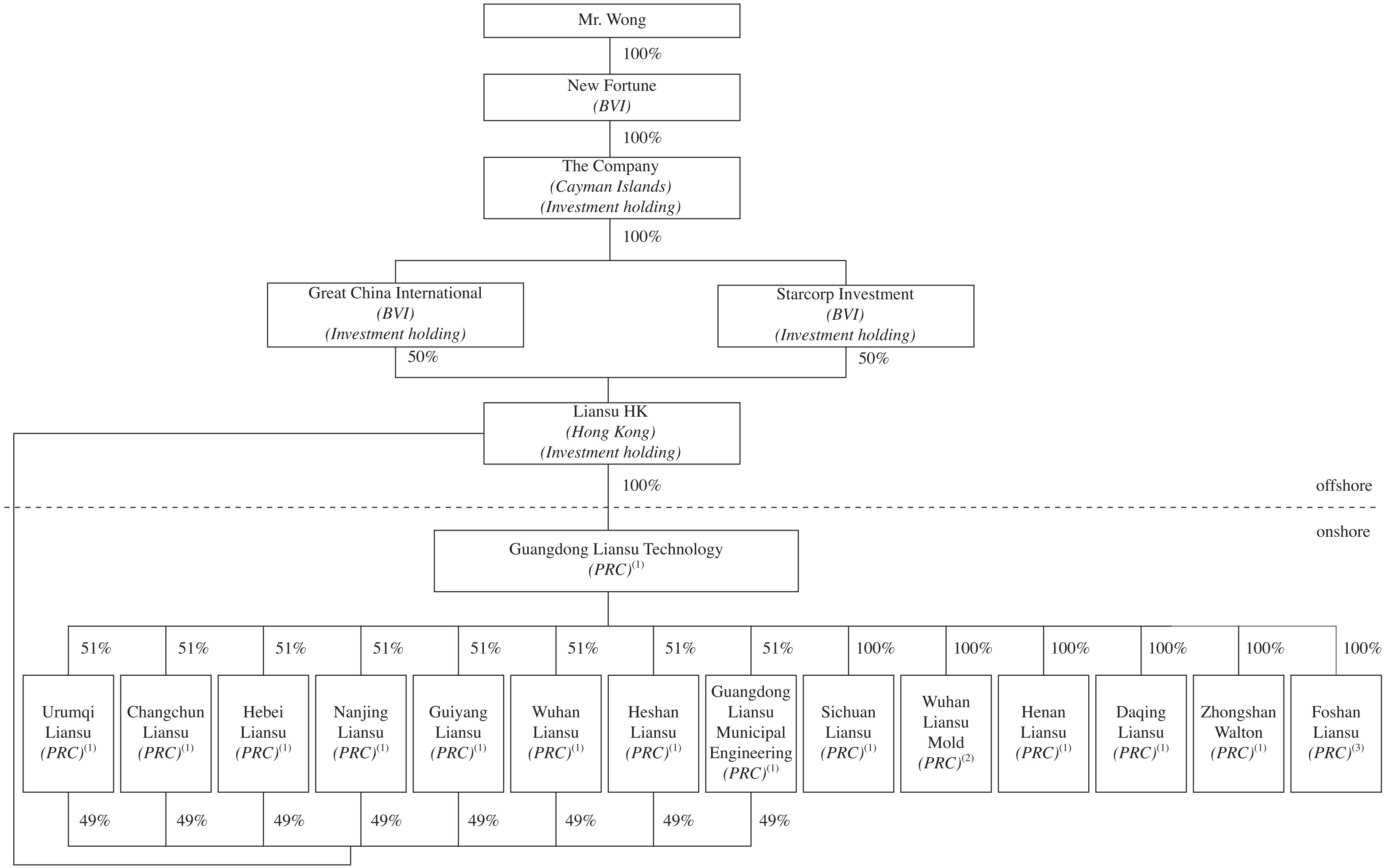
PRC REGULATORY MATTERS RELATING TO OUR REORGANIZATION AND LISTING

On 8 August 2006, six PRC governmental and regulatory agencies, including the MOFCOM and the CSRC, promulgated the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (the "Acquisition Regulations") (關於外國投資者併購境內企業的規定), which came into effect on 8 September 2006 and was revised by MOFCOM on 22 June 2009. The Acquisition Regulations require an offshore special purpose vehicle formed for listing purposes and controlled directly or indirectly by PRC companies or individuals to obtain approval from the CSRC prior to the listing and trading of the securities of such offshore special purpose vehicle on an overseas stock exchange.

Our legal adviser as to PRC law, Jun He Law Offices, has advised us that the Acquisition Regulations do not apply to the acquisition of PRC subsidiaries made by our Group and that our Listing on the Stock Exchange does not require approval of the CSRC, as the foreign investment enterprises we acquired as our subsidiaries, being Guangdong Liansu Technology, Urumqi Liansu, Changchun Liansu, Hebei Liansu, Nanjing Liansu, Guiyang Liansu, Wuhan Liansu, Heshan Liansu, Guangdong Liansu Municipal Engineering, were all established as foreign investment enterprises before 8 September 2006, the effective date of Acquisition Regulations, and Urumqi Liansu and Changchun Liansu were newly established (and not acquired) as foreign investment enterprises after 8 September 2006. As advised by our legal adviser as to PRC laws, all of the requisite approvals from the relevant competent PRC regulatory authorities required for the implementation of the Reorganization have been obtained, including the registration requirements under the SAFE Notice by Mr. Wong.

CORPORATE STRUCTURE

The following chart sets forth the shareholding structure of the Group after the Reorganization and immediately prior to the Capitalization Issue and the Global Offering:



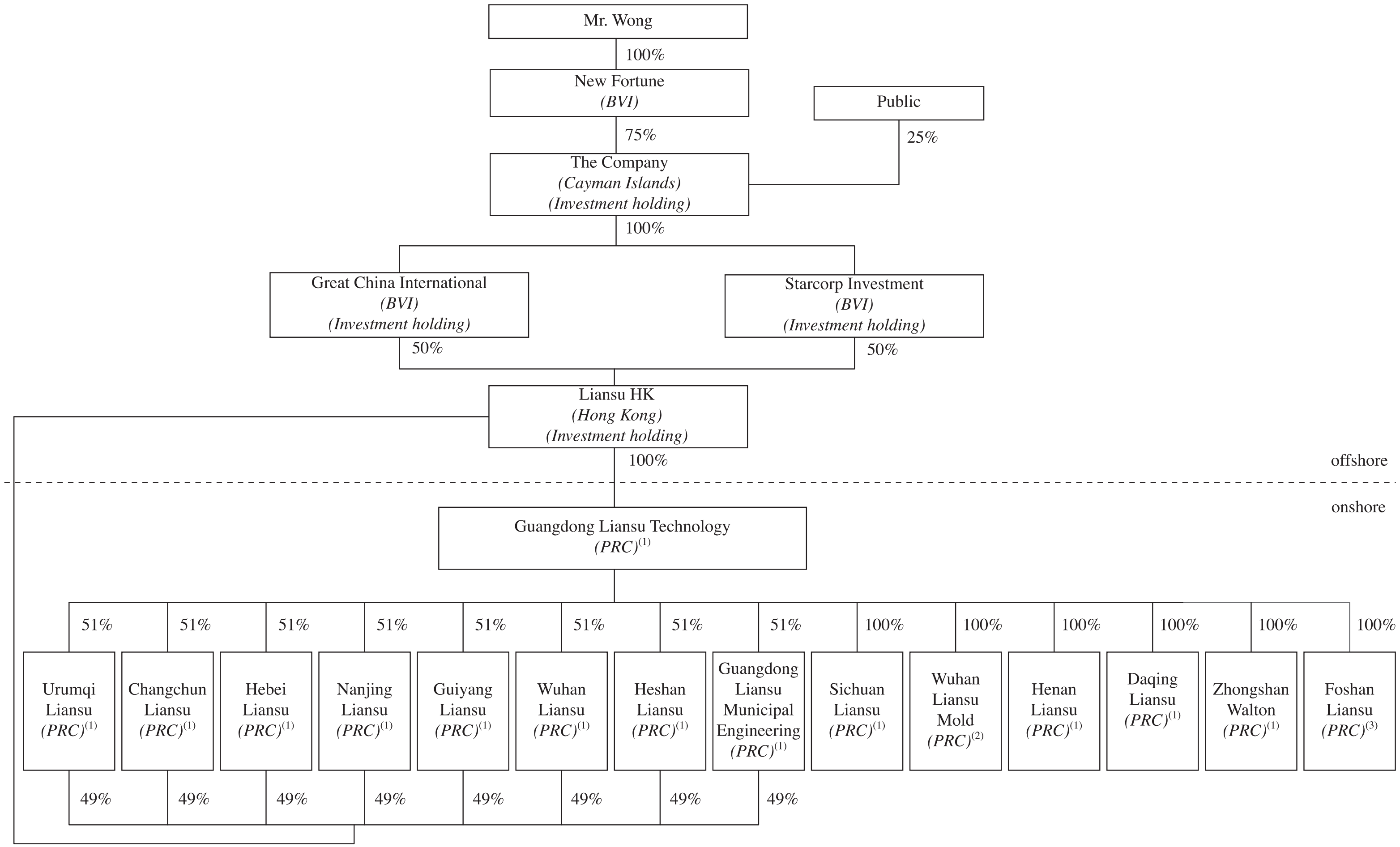
Notes:

(1) Production and sales of plastic pipes and pipe fittings.

(2) Production and sales of plastic pipe moulds.

(3) Import and export of plastic pipes and pipe fittings.

The following chart sets forth the shareholding structure of the Group immediately following the completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised and not taking into account of any Shares which may be issued under the Pre-IPO Share Option Scheme and the Share Option Scheme):



Notes:

(1) Production and sales of plastic pipes and pipe fittings.

(2) Production and sales of plastic pipe moulds.

(3) Import and export of plastic pipes and pipe fittings.

OVERVIEW

We are a manufacturer of plastic pipes and pipe fittings in China. We currently have 11 operational production facilities for plastic pipes and pipe fittings that are strategically located across China. Through these facilities and our sales network which consists of 29 sales offices and over 600 independent distributors, we cover customers across China.

Range of products. We offer a comprehensive range of plastic pipes and pipe fittings. We are able to produce over 70 series and over 7,000 specifications of plastic pipes and pipe fittings with dimensions generally ranging from 16 mm to 3,000 mm in diameter. We primarily use PVC, PE, PP-R and other plastic resins to manufacture our products. Our plastic pipes and pipe fittings are used in a variety of piping systems, including those used for water supply, drainage, power supply and telecommunications, agriculture, gas supply, floor heating and fire-fighting. In addition, we provide our customers with a range of ancillary services, including pre-sale consultation, after-sales services, on-site guidance and technical support.

Production facilities. We have a geographically-diverse network of production facilities in China. As of the Latest Practicable Date, we had 11 operational production facilities for plastic pipes and pipe fittings located in eight provinces across China. For the years ended 31 December 2007, 2008 and 2009, the effective annual production capacity of our production facilities was 298,100 tonnes, 426,000 tonnes and 661,800 tonnes of plastic pipes and pipe fittings, respectively. For the years ended 31 December 2007, 2008 and 2009, our production facilities for plastic pipes and pipe fittings achieved an average utilization rate of 86.1%, 87.6% and 87.5%, respectively, as calculated by actual production volume of such production facilities as of the end of the respective year divided by their effective annual production capacity.

We have expanded our production capacity throughout the Track Record Period to try to capture the growing demand for our products and increase our market share. We completed a major capacity expansion at our Guangdong facility in 2008. We commenced operations at our new facilities in Hebei and Henan in 2008 and in Sichuan and Nanjing in 2009. As of 31 December 2009, the design annual production capacity of our production facilities was approximately 905,700 tonnes of plastic pipes and pipe fittings. We are in the process of constructing two additional production facilities: (1) one in Urumqi, which is expected to become operational in the fourth quarter of 2010 with a design annual production capacity of approximately 12,000 tonnes and which we plan to increase to 22,000 tonnes and 34,000 tonnes by 2011 and 2012, respectively, and (2) another in Changchun, which is expected to become operational in the first quarter of 2011 with a design annual production capacity of approximately 33,300 tonnes and which we plan to increase to 66,300 tonnes by 2012. The total costs incurred as of 31 March 2010 for our facilities in Urumqi and Changchun were RMB54.5 million and RMB72.2 million, respectively. We intend to primarily use our cash flows from operations, cash on hand and banking facilities to settle the remainder of these expenditures for these facilities by the end of 2012. Once the Urumqi and Changchun production facilities are operational, we expect to be able to better cover each of our seven geographic sales regions in China (consisting of Southern China, Central China, Northern China, Southwestern China, Eastern China, Northeastern China and Northwestern China) through our production facilities. See “Financial Information — Principal Income Statement Components — Revenue” for additional information on our geographic sales segments.

We also plan to expand our current operational production facilities and construct new production facilities in various regions in China in order to maintain our leading industry position and better meet the demands of both our existing customers and potential new customers. We plan to add design annual production capacity of approximately 245,000 tonnes, 370,000 tonnes and 330,000 tonnes in 2010, 2011 and 2012, respectively. See “Production Facilities and Production Process — Production Facilities” in this section for further details on our expansion plan.

According to CPPIA, we were the largest manufacturer of plastic pipes and pipe fittings in China in terms of sales revenue in 2008.

Business model. We sell our products both directly to our customers (such as government entities, utility companies and real estate developers) and through independent distributors. As of the Latest Practicable Date, we had a nationwide sales network of over 600 independent distributors, which were supported by regional sales teams located at 29 sales offices across China. For the years ended 31 December 2007, 2008 and 2009, revenue generated by direct sales to customers accounted for 54.9%, 53.8% and 45.9% of our total revenue, respectively, while revenue generated by sales to distributors accounted for 45.1%, 46.2% and 54.1% of our total revenue, respectively.

We typically enter into agreements with our distributors, pursuant to which we generally grant the distributor a non-exclusive right to distribute certain types of our products in a specified geographical area and set annual sales targets for each distributor. The agreements generally have one-year terms, subject to renewal by mutual agreement. Payment on or before delivery is generally required. Return of products is permitted under these agreements only by mutual agreement or if our products are defective. The terms of the distribution agreements are generally the same for each distributor, other than annual sales targets which may differ for different distributors and the relevant specified geographical areas. In addition to sales through our distribution network, we also make direct sales to customers. For further details, see “Business — Sales, Marketing and Distribution — Direct Customers”.

Our plastic pipe products are sold under our Liansu brand. We believe that the Liansu brand has become a recognized brand name in China. In 2005, our Liansu brand was recognized as a “China Well-known Trademark” (中國馳名商標) by the Trademark Office of the State Administration for Industry and Commerce of the People’s Republic of China (中華人民共和國國家工商行政管理總局商標局).

Research and development. We believe our research and development capabilities have been one of our primary competitive strengths. Guangdong Liansu Technology and Wuhan Liansu, our wholly-owned subsidiaries, were recognized as “High and New Technology Enterprises” (高新技術企業) by the respective provincial science and technology department (科學技術廳), finance bureau (財政廳), office of state administration of taxation (國家稅務局) and local taxation bureau (地方稅務局) in Guangdong and Hubei in 2008 and 2009, respectively. Our research and development team consisted of 604 experienced engineers and other technical and professional staff as of 31 March 2010. In addition, we have an advanced research and development center and a post-doctoral work station at our Shunde facility. For the years ended 31 December 2007, 2008 and 2009, we spent RMB11.6 million, RMB11.2 million and RMB20.8 million, respectively, on research and development.

Financial results. We have achieved significant revenue and earnings growth in recent years. For the years ended 31 December 2007, 2008 and 2009, we had revenue of RMB2,618.2 million, RMB3,618.5 million and RMB5,322.2 million, respectively, representing a CAGR of 42.6% from 2007 to 2009. Our net profit for the same periods was RMB81.5 million, RMB135.9 million and RMB644.0 million, respectively, representing a CAGR of 181.1% from 2007 to 2009. Our overall gross profit margin increased from 12.7% in 2007 to 13.9% in 2008 as a result of a decrease of 2.1% in our raw material costs as a percentage of our revenue due to the improvement in production efficiencies, which was partially offset by an increase of 1.0% in our labor costs as a percentage of our revenue. Our overall gross profit margin increased from 13.9% in 2008 to 22.8% in 2009 as a result of raw material prices decreasing more than our average selling price in 2009, the continued improvement in our production efficiencies and economies of scale. We attribute such growth to our extensive production and sales networks, our comprehensive product offerings, our strong brand recognition, our research and development capabilities and our experienced management.

As of 31 December 2007, 2008 and 2009, our bank borrowings amounted to RMB598.6 million, RMB468.7 million and RMB1,309.7 million, respectively. The increase in our bank borrowings from 2008 to 2009 was primarily due to increased investments in production facilities and the replacement of financing provided by related parties that had been repaid in preparation for this Global Offering. We intend to use approximately 15% of the net proceeds from the Global Offering to repay a portion of our bank loans, with the remaining outstanding amount to be repaid from our own operating cash flows.

COMPETITIVE STRENGTHS

We attribute our success to the following key competitive strengths:

We are an established market leader with large-scale operations and are able to cover our customers across China through our extensive production and sales networks

We were the largest manufacturer of plastic pipes and pipe fittings in China in 2008, in terms of sales revenue, according to CPPIA. For the years ended 31 December 2007, 2008 and 2009, we produced approximately 256,801 tonnes, 372,970 tonnes and 579,384 tonnes of plastic pipes and pipe fittings, respectively. As of 31 December 2009, we had a design annual production capacity of approximately 905,700 tonnes of plastic pipes and pipe fittings from our 11 operational production facilities for plastic pipes and pipe fittings, which are located in eight provinces across China, i.e. Guangdong, Guizhou, Sichuan, Hubei, Jiangsu, Henan, Hebei and Heilongjiang. We are in the process of constructing two additional production facilities: (1) one in Urumqi, which is expected to become operational in the fourth quarter of 2010 with a design annual production capacity of approximately 12,000 tonnes and which we plan to increase to 22,000 tonnes and 34,000 tonnes by 2011 and 2012, respectively, and (2) another in Changchun, which is expected to become operational in the first quarter of 2011 with a design annual production capacity of approximately 33,300 tonnes and which we plan to increase to 66,300 tonnes by 2012.

Our production facilities are strategically located to capture our target markets and are generally close to our customers, which reduces transportation costs and enables us to offer competitive pricing and timely delivery and services to our customers. We believe our ability to promptly and efficiently meet our customers' needs is an important competitive strength.

We also have a wide sales and distribution network with more than 600 independent distributors located nationwide and an in-house sales team of over 500 sales representatives located at 29 sales offices across China as of the Latest Practicable Date. We believe our extensive sales and distribution network gives us a competitive edge in broadening our customer base and enhancing our brand recognition as well as further strengthens our market position.

With our leading industry position, which is primarily achieved through our large-scale operations and our ability to cover our customers nationwide, we believe we are well-positioned to capture the growing market for plastic pipes and pipe fittings in China.

The map below illustrates the locations of our production facilities for plastic pipes and pipe fittings as of the Latest Practicable Date:

We offer a comprehensive range of quality plastic pipes and pipe fittings

We focus our efforts on, and dedicate our resources to, among other things, improving our technology, which enables us to provide a wide range of high quality products to meet our customers' needs and specific requirements. We currently produce over 70 series and over 7,000 specifications of plastic pipes and pipe fittings. In addition to common types of PVC-U, PE and PP-R products, we also produce PVC-M, PVC-C, PE-RT, PB and composite plastic pipes and pipe fittings with various special properties suitable for use in different applications. Our product range covers a broad spectrum of sizes, measured in diameters, generally ranging from 16 mm to 3,000 mm. In order to address the Chinese government's increasing emphasis on environmental protection, we are also actively expanding our eco-friendly product range to include products such as GHPs.

We have strong brand recognition

Over the course of our operations, we have developed the Liansu brand into a well-known plastic pipe brand in China. We have received various awards and recognitions in relation to our brand, including:

- a "China Well-known Trademark" (中國馳名商標) by the Trademark Office of the State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局商標局) in 2005; and

- one of the "Commodity Trademarks with Highest Competitiveness in 2009" (2009最具競爭力的商品商標) by the Organising Committee for 2009 (the Third) China Trademark Festival (2009 (第三屆)中國商標節組委會) and China Trademark Association (中華商標協會) in 2009.

In addition, our plastic pipes and pipe fittings have been certified as a "China Top Brand Product" (中國名牌產品) by the General Administration of Quality Supervision, Inspection of Quarantine of the PRC (國家質量監督檢驗檢疫總局) since 2006.

We believe our established brand name provides us with an appealing platform from which to introduce new products and increase our market share. Our market position and the strength of our brand also help to make us an attractive business partner for distributors and customers and facilitate the expansion of our customer base.

We sell our products through our sales team directly to large-scale and strategically important customers, including government entities, infrastructure companies and property companies, which have, by themselves or through representatives acting on their behalf, signed framework agreements with us for the supply of our plastic pipes and pipe fittings, and major water and gas supply companies or their subsidiaries in China. Such companies include, for example, Poly Real Estate Group Co., Ltd. (保利房地產(集團)股份有限公司), Longfor Properties Co. Ltd. (龍湖地產有限公司) and Evergrande Real Estate Group Limited (恒大地產集團有限公司). Our total sales to these three companies during the Track Record Period were RMB9.4 million, RMB56.9 million and RMB71.7 million for the years ended 31 December 2007, 2008 and 2009, respectively. As of 31 March 2010, our plastic pipes and pipe fittings were sold to more than 300 water supply companies and water treatment companies and more than 80 power supply companies, telecommunications companies and gas companies, which include, for example, Zhengzhou Gas Company Limited (鄭州燃氣股份有限公司) and Changchun Gas Co., Ltd. (長春燃氣股份有限公司). We were also one of the designated plastic pipe suppliers for the construction of the Laoshan Velodrome (老山自行車館) for the 2008 Beijing Olympic Games and are one of the designated plastic pipe suppliers for the construction of the Guangzhou Asian Games City (廣州亞運城) for the 16th Asian Games (第十六屆亞洲運動會) to be held in Guangzhou in 2010.

We have customer-oriented research and development capabilities

Our strong research and development capabilities provide us with competitive advantages in the plastic pipe industry in China. Our research and development team comprised 604 employees as of 31 March 2010. In addition, we have engineers from different departments participating in our research and technology development projects and field engineers located in our production facilities and sales offices across China. The close collaboration between our research and development technical team, field engineers and engineers in different departments helps to enable us to design and develop products that are tailored to the specific needs and practical applications of our customers. We believe the combination of our engineers' experience and our customer-oriented research and development approach distinguishes us from many of our competitors.

We believe our ability to introduce new products from time to time that cater to the needs of our customers helps to increase our competitiveness. New products we developed in 2009 include plastic-steel composite pipes used for water supply, gas supply and fire-fighting; PB eco-friendly cold and hot water pipes; same-floor drainage pipes; and GHPs. As of 13 May 2010, we held 114 patents and have applied for an additional 128 patents in China and have nine patents outside of China that are pending. In addition, we have participated in drafting or revising seven national and industrial standards for the plastic pipe industry in China. We believe this is a recognition of our strong position in research and development capabilities and product technology and standards.

In recognition of our research and development efforts, Guangdong Liansu Technology was accredited as a "Key High-tech Enterprise" in the "National Torch Program" (國家火炬計劃重點高新技術企業) by the Torch High Technology Industry Development Centre of the Ministry of Science and Technology of the People's Republic of China (中華人民共和國科學技術部火炬高技術產業開發中心) in 2005. Guangdong Liansu Technology and Wuhan Liansu were also recognized as "High and New Technology Enterprises" (高新技術企業) by the respective provincial science and technology department (科學技術廳), finance bureau (財政廳), office of state administration of taxation (國家稅務局) and local taxation bureau (地方稅務局) in Guangdong and Hubei in 2008 and 2009, respectively.

We have an experienced, professional and dedicated management team

Our management team has extensive experience in, and in-depth knowledge of, the plastic pipe industry. They have on average industry experience of approximately ten years and most of them have spent more than ten years with us. In particular, our chairman, Mr. Wong, has approximately 13 years of experience in plastic pipe operations and management. Our experienced, professional and dedicated management team brings a strong base of knowledge to our day-to-day operations and provides strategic direction to our Company. Over the years, our management team has also played a key role in integrating and improving the operations of the entities that we acquired. With such extensive industry-related experience and operation management skills among our senior management, we believe that we are well-positioned to identify market opportunities as they arise.

We have adopted compensation incentive programs, such as our Pre-IPO Share Option Scheme and Share Option Scheme, with an objective of motivating and retaining our existing management team and core employees and attracting qualified candidates.

BUSINESS STRATEGIES

Our objectives are to further expand our market share and strengthen our leading position in China's plastic pipe industry. We aim to accomplish this through the following strategies:

Continue to expand our market share by increasing our production scale and enhancing our marketing efforts

We intend to continue to expand our market share by increasing our production scale and enhancing our marketing efforts. Our production facilities for plastic pipes and pipe fittings achieved an average utilization rate of 86.1%, 87.6% and 87.5% during the years ended 31 December 2007, 2008 and 2009, respectively, calculated as described in this section under "Production facilities and production process". Accordingly, we believe that the expansion of our production capacity should enable us to increase our sales volume and expand our market share. We are currently installing production lines at the new production facilities that we are constructing in Urumqi and Changchun, which should help us to increase our scale to accommodate future growth in the markets of Northern and Northwestern China. We expect these two new production facilities to become operational in the fourth quarter of 2010 and the first quarter of 2011, respectively. We have also planned to expand production capacity at our existing facilities.

To support the expansion of our production facilities, we also intend to expand our sales network by engaging additional distributors and establishing more sales offices. We also intend to continue to enhance our marketing efforts to further expand our customer base.

In addition to growing organically, we will consider expanding our business by selective acquisitions of companies or businesses which can create synergistic value with our existing business. Through such acquisitions, we will seek to strengthen our market position as well as expand into new businesses that are complementary to our existing businesses. We have implemented procedures to help us execute our acquisition strategy more systematically, including procedures for the preliminary identification of targets, feasibility assessment, due diligence, budget and negotiations. When identifying an acquisition target, we generally consider whether there is sufficient market demand for the potential target's products and whether its business is related to the plastic pipe industry. At the initial stage, our business division would typically determine our acquisition needs based on our business strategies and prepare an initial investment plan for the approval of the Board. Upon approval of the investment plan, a special task group would typically be formed consisting of relevant personnel from various departments, such as our legal, financial and human resource departments. The task group would typically determine the various criteria for assessing the acquisition target, such as geographical location, business scale and scope, and operational resources, and proceed to identify potential targets. The task group would typically then liaise with the potential targets to determine whether the owners have any intention of selling the business and the terms they have in mind. Upon obtaining requisite information on the targets, the task group would typically carry out a preliminary due diligence on the targets to narrow down the selection to a particular target. Once a target has been identified, the task group would typically carry out feasibility analysis and prepare a report for the Board's approval. After the Board's approval has been obtained, the task group would typically engage relevant independent professional parties on an as needed basis to carry out legal and financial due diligence, followed by relevant documentary preparation and negotiation. The relevant acquisition agreement would then be approved by the Board or the Shareholders, depending on the size of the proposed acquisition.

As of the Latest Practicable Date, we had not engaged in any forms of discussion with any potential acquisition targets. We believe that our status as a listed company should help position us to take advantage of such opportunities as they arise.

Continue to refine our product portfolio and improve our production efficiency through our research and development capabilities

We believe that our long-term success and growth will largely depend on our ability to continue to refine our product portfolio and improve our production efficiency. We plan to use our strong research and development capabilities to continue to improve our product functionality, production efficiency and quality control systems.

We will also continue to devote resources to research and development activities and strengthen our cooperation with universities and research institutes. Our research and development team will continue to work on their existing projects, such as the development of spray and drip irrigation piping systems and solar water heater piping systems, and will seek to further develop new products and technologies in relation to the plastic pipe industry, including various products tailored to meet local requirements of different geographical regions in China. We also plan to invest more resources into our research and development activities, invest in research and development facilities and equipment and expand our team by recruiting more professionals with industry knowledge. See "Research and Development" in this section for additional information on our latest research and development activities.

Continue to strengthen our brand recognition

We intend to increase our Company's profile by actively taking part in large-scale infrastructure projects and real estate development projects and by further strengthening our relationships with government entities, utility companies, large-scale real estate developers, plastic pipe industrial associations and design institutes in China. We also plan to continue to market our Liansu brand in China through targeted marketing campaigns. Specifically, we plan to increase our advertising budget to further promote a consistent brand image through media advertising and participation in trade fairs.

We also plan to apply for more intellectual property registrations to establish a stronger brand image and to prevent infringement of our intellectual property rights. We will also continue to strengthen our efforts in combating infringement of our trademarks and production of counterfeit products.

Continue to recruit and retain employees experienced in management, technology, sales and marketing

We recognize that our employees are one of our most important assets. Our future success is dependent on our ability to attract, retain and motivate highly skilled and experienced management, engineering and marketing personnel. We have focused on the training and professional development of our management and personnel at all levels. We plan to recruit experienced management, technical, sales and marketing personnel to facilitate our expansion. We also intend to continue to use our compensation incentive programs, such as our Pre-IPO Share Option Scheme and Share Option Scheme, to motivate our management team and core employees and to attract talented individuals in the industry to meet the needs of our expansion. We strive to further cultivate a corporate culture that rewards performance.

PRODUCTS

We produce and supply a comprehensive range of high quality plastic pipes and pipe fittings in the following principal categories of application: water supply, drainage, power supply and telecommunications, gas supply, agriculture, floor heating and fire-fighting. Our products include plastic pipes made from a variety of plastic resins, such as PVC, PE and PP-R, as well as pipes for special use made from a combination of plastic and other materials, such as aluminum or steel. We are able to produce over 70 series and over 7,000 specifications of plastic pipes and pipe fittings. While we occasionally make products that are customized to client specifications, customized products account for a relatively small portion of our sales and substantially all of our sales are of products within our standard product range.

The following table sets forth a breakdown of our sales volume and revenue by products for the periods indicated:

	Year ended 31 December								
	2007			2008			2009		
	Sales Volume (tonnes)	Revenue (RMB million)	% of total revenue	Sales Volume (tonnes)	Revenue (RMB million)	% of total revenue	Sales Volume (tonnes)	Revenue (RMB million)	% of total revenue
Plastic pipes and pipe fittings	255,891	2,538.2	96.9%	334,802	3,569.4	98.6%	566,229	5,277.3	99.2%
Others[1]	N/A	80.0	3.1%	N/A	49.1	1.4%	N/A	44.9	0.8%
Total	255,891	2,618.2	100.0%	334,802	3,618.5	100.0%	566,229	5,322.2	100.0%

Note:

1. "Others" consists of ancillary materials such as springs for connecting plastic pipes. Sales volume for "others" are measured in units and not tonnes, and the size of the units between different products may differ.

The following table sets forth a breakdown of our sales volume, revenue and average selling prices for plastic pipes and pipe fittings by product category for the periods indicated:

	Year ended 31 December											
	2007				2008				2009			
	Sales Volume (tonnes)	Revenue (RMB million)	% of total revenue	Average selling price[1] (RMB)	Sales Volume (tonnes)	Revenue (RMB million)	% of total revenue	Average selling price[1] (RMB)	Sales Volume (tonnes)	Revenue (RMB million)	% of total revenue	Average selling price[1] (RMB)
Water supply	81,341	1,157.9	45.6%	14,235.1	93,522	1,514.2	42.4%	16,190.8	156,528	2,139.0	40.5%	13,665.3
Drainage	103,128	849.0	33.4%	8,232.5	136,337	1,193.5	33.4%	8,754.0	252,812	1,921.5	36.5%	7,600.5
Power supply and telecommunications	62,659	424.6	16.7%	6,776.4	82,097	638.7	17.9%	7,779.8	128,788	962.8	18.2%	7,475.9
Gas supply	1,844	39.2	1.6%	21,258.1	2,993	61.2	1.7%	20,447.7	5,011	87.0	1.6%	17,361.8
Others[2]	6,919	67.5	2.7%	9,755.7	19,853	161.8	4.6%	8,149.9	23,090	167.0	3.2%	7,232.6
Total[3]	255,891	2,538.2	100.0%	9,919.1	334,802	3,569.4	100.0%	10,661.2	566,229	5,277.3	100.0%	9,320.1

Notes:

1. Average selling price represents revenue for the product category divided by volume in tonnes of products sold for that category during the year.
2. "Others" comprises agriculture, floor heating and fire-fighting. We did not produce products in the floor heating and fire-fighting categories until 2008.
3. The total amount does not include revenue generated by the sale of ancillary products such as springs for connecting plastic pipes.

The following table sets forth our sales volume, revenue and average selling prices for plastic pipes and pipe fittings by product material for the years indicated:

	Year ended 31 December											
	2007				2008				2009			
	Sales volume (tonnes)	Revenue (RMB million)	% of total revenue	Average selling price[1] (RMB)	Sales volume (tonnes)	Revenue (RMB million)	% of total revenue	Average selling price[1] (RMB)	Sales volume (tonnes)	Revenue (RMB million)	% of total revenue	Average selling price[1] (RMB)
PVC	221,914	1,874.8	73.9%	8,448.3	265,515	2,435.5	68.2%	9,172.7	431,047	3,415.6	64.7%	7,924.0
Others[2]	33,977	663.4	26.1%	19,525.0	69,287	1,133.9	31.8%	16,365.3	135,182	1,861.7	35.3%	13,771.8
Total[3]	255,891	2,538.2	100.0%	9,919.1	334,802	3,569.4	100.0%	10,661.2	566,229	5,277.3	100.0%	9,320.1

Notes:

1. Average selling price represents revenue for the product category divided by volume in tonnes of products sold for that category during that year.
2. "Others" comprises primarily PE and PP-R.
3. The total amount does not include revenue generated by the sale of ancillary products such as springs for connecting plastic pipes.

Water Supply

Plastic pipes used for water supply constitute our largest product category, representing 45.6%, 42.4% and 40.5% of our total revenue of plastic pipes and pipe fittings for the years ended 31 December 2007, 2008 and 2009, respectively. Our water supply products are commonly used in residential and commercial buildings to transport fresh water to individual units. Our water supply products are also widely used in new, large-scale infrastructure projects and renovations of existing water pipe networks, where our products are used as replacements for traditional materials, such as cement, iron and copper. We offer a broad range of plastic water supply pipes made from a variety of plastic resin materials, such as PVC-U water supply pipes, PE water supply pipes, PP-R water supply pipes, PVC-M water supply pipes, PVC-C water supply pipes, PB water supply pipes and plastic-steel composite pipes, among others.

Our PVC water supply pipes are produced from high-quality PVC resin and supplementary materials in order to ensure compliance with applicable environmental and safety standards. Our PE water supply pipes are made from quality graded PE100 resin. Our PP-R water supply pipes are made by processing high-quality PP-R raw materials. All of our water supply pipe products comply with China's national standards and hygiene requirements regarding water supply products.

Our plastic-steel composite pipes for water supply include two major categories — plastic-lined composite pipes and plastic-coated composite pipes, each of which combines the strength and rigidity of steel pipes and the flexibility and endurance of plastic pipes.

We also produce PVC-M water supply pipes, which are high impact resistant products with superior mechanical properties. This product was developed based on the improvement of PVC-U water supply pipes. They are primarily used for the transportation of water at room temperature (below 40 degrees) and are particularly designed for use under environmental conditions requiring high impact resistance.

Drainage

Plastic pipes and pipe fittings used for drainage constitute our second largest product category, representing 33.4%, 33.4% and 36.5% of our total revenue of plastic pipes and pipe fittings for the years ended 31 December 2007, 2008 and 2009, respectively. Products in this category are used in residential drainage systems and municipal drainage systems.

We offer a broad range of plastic drainage pipes and pipe fittings, including PVC-U drainage pipes, PVC-U spiral muffler pipes, high density PE drainage pipes, and PE same-floor drainage pipes. These pipe products are characterized by strong noise reduction and are generally used as indoor drainage pipes inside buildings. We also manufacture metal reinforced PE spirally corrugated pipes and HDPE and PVC-U double-wall corrugated pipes, which have a large diameter with low flow resistance, good pipe seal connection and strong resistance to corrosion. These pipe products also offer strong resistance to uneven ground settlement and earthquakes and are generally used as outdoor drainage pipes. With rising social consciousness regarding environmental protection, we believe products in this category have attractive market opportunities and long-term growth potential.

We also offer a comprehensive range of fittings for drainage pipes, such as PVC-U drainage pipe fittings, HDPE drainage pipe fittings and rubber rings for double-wall corrugated pipes. We have adopted simple designs for these products to facilitate quick and easy assembly.

We believe the market for plastic pipes and pipe fittings used for drainage will continue to grow. Because of their low installation cost, strong leak resistance and relatively long service life, the MOHURD has issued guidelines in recent years to encourage the use of plastic drainage pipes in the new civil and municipal projects in place of pipes made from traditional materials, such as cement, iron and copper.

Power supply and telecommunications

Sales of plastic pipes and pipe fittings used in power supply and telecommunications represented 16.7%, 17.9% and 18.2% of our total revenue of plastic pipes and pipe fittings for the years ended 31 December 2007, 2008 and 2009, respectively. These products are used to guide and protect power and telecommunication cables and cable bundles.

Our principal products include PVC-C industrial power cable ducts pipes, PVC-U household power cable ducts pipes, PVC-U telecommunication cable ducts pipes and PE telecommunication cable ducts pipes. Plastic pipes used in telecommunication cable ducting include multi-hole pipes, corrugated pipes, communication tube and silicon pipes.

We believe that the market for plastic pipes and pipe fittings used in power supply and telecommunications has significant growth potential in China in the context of replacing existing, traditional telecommunication networks with fiber optic networks used to fulfill the increasing demand for more bandwidth. We believe we are well-positioned to benefit from the growth in this market due to our geographical presence in China and research and development capabilities. For example, we supplied our plastic pipes and pipe fittings for the renovation and upgrading of the existing electricity and communications network managed by the Heilongjiang Expressway Administration Bureau (黑龍江高速公路管理局).

Gas supply

Plastic pipes and pipe fittings used for gas supply contributed 1.6%, 1.7% and 1.6% of our total revenue of plastic pipes and pipe fittings for the years ended 31 December 2007, 2008 and 2009, respectively. Our gas pipe products are mainly used for distribution of natural gas to local networks and household connections. Our products for gas supply include, among others, PE plastic pipes, PE plastic-steel mesh skeleton-plastic composite pipes, aluminum-plastic composite pipes and plastic-steel composite pipes.

Our PE plastic-steel mesh skeleton-plastic composite pipes are five-layer plastic-steel composite pipes that offer strong resistance to corrosion and abrasion, long service life, quality joint functionality and strong leak resistance. Plastic-coated composite pipes are produced by combining the buckle design of zinc-plated steel pipes and the smooth internal layer of plastic pipes and are characterized by rust resistance, low thermal conductivity, easy installation and reliable and safety-oriented connections.

Our gas pipe products are widely used in infrastructure projects for the distribution of gas. Our customers include major listed gas companies in China and/or their subsidiaries, including Zhengzhou Gas Company Limited (鄭州燃氣股份有限公司) and Changchun Gas Co., Ltd. (長春燃氣股份有限公司).

Others

Sales of others consist of agriculture, floor heating and fire-fighting products, representing 2.7%, 4.6% and 3.2% of our total revenue of plastic pipes and pipe fittings for the years ended 31 December 2007, 2008 and 2009, respectively.

Agriculture

Our agriculture products are used in irrigation systems in the agriculture, gardening and forestation industries. These products are mainly made from PVC. In addition to the spraying and irrigation pipes that we are currently producing, we also intend to invest in the development of drip irrigation and automatic spraying irrigation pipes.

Floor heating

Our floor heating products are primarily used in heating systems of buildings and the exploitation of geothermal heat energy. Our principal products in this category include PE-RT heat resistant pipes, PB underground heating pipes and GHPs. In addition, we offer a wide range of fittings and manifolds required for central and floor heating applications.

We believe that an increasing emphasis on comfort, health and interior design will drive growth in the underground heating business. In light of the increasing familiarity with and interest in the use of GHPs in China, we believe the GHP market in China will present significant growth prospects. We began developing GHP products in early 2008 and commenced production and sales of GHP products in May 2009. We will continue to expand our product offerings in this category.

We have also entered into supply agreements with a number of reputable GHP design and installation companies in China, such as Hundred Group Co., Ltd. (際高建業有限公司).

Fire-fighting

With our acquisition of Zhongshan Walton, we expanded our product offerings to include plastic-steel composite pipes and pipe fittings used in fire-fighting. These products are primarily used in fire-fighting systems in buildings. Our principal products in this category are plastic-coated plastic-steel composite pipes and pipe fittings, which are made from epoxy resin, a high-temperature tolerant material specially used in fire safety products. Epoxy resin is coated on the surface and internal layer of steel pipes. Based on our management's industry knowledge, we believe our fire-fighting pipe is a recognized fire-resistant product in China. We have registered our fire-fighting pipe for a number of patents and intellectual property rights. We believe this product offers superior resistance to corrosion and high temperature, strong mechanical function and greater flow capacity with less friction.

For traditional fire-fighting pipes, typically a layer of paint will only be applied on the surface of steel pipes with the internal wall unpainted. The potential rusting and blockage of the pipes and spraying system may result in a considerable loss in the event of fire. Our products, however, are coated with epoxy on the surface and internal layer, which can prevent any blockage as a result of rusting, and are therefore more durable.

PRODUCTION FACILITIES AND PRODUCTION PROCESS

Production Facilities

We are headquartered in Shunde, Guangdong Province, China, and produce our plastic pipes and pipe fittings in 11 production facilities located in eight provinces in China. We have established a geographically- diverse production base with extensive coverage in China. Our production facilities for plastic pipes and pipe fittings are strategically located in Shunde, Heshan and Zhongshan in Guangdong Province, Guiyang in Guizhou Province, Deyang in Sichuan Province, Wuhan in Hubei Province, Nanjing in Jiangsu Province, Zhoukou in Henan Province, Renqiu in Hebei Province and Daqing in Heilongjiang Province. The strategic locations of our production facilities in different regions across China put us in close proximity to our customers, thereby enabling efficient delivery, or reducing customers' transportation costs in the case of customers who arrange for their own product delivery. In addition to our 11 production facilities for plastic pipes and pipe fittings, we also have a production facility in Wuhan that produces plastic pipe moulds for use in our operations.

We have two additional facilities under construction: (1) one in Urumqi in the Xinjiang Uygur Autonomous Region and which is expected to become operational in the fourth quarter of 2010 with a design annual production capacity of approximately 12,000 tonnes and which we plan to increase to 22,000 tonnes and 34,000 tonnes by 2011 and 2012, respectively, and (2) another in Changchun in Jilin Province, which is expected to become operational in the first quarter of 2011 with a design annual production capacity of approximately 33,300 tonnes and which we plan to increase to 66,300 tonnes by 2012. In respect of our Urumqi facilities, as of the Latest Practicable Date, we were in the process of installing and testing the production equipment and we plan to commence production in the fourth quarter of 2010. In respect of our Changchun facilities, the construction is expected to be completed by the end of 2010 and we plan to begin to install and test equipment for our Changchun facilities and commence production in the first quarter of 2011. The total costs incurred as of 31 March 2010 for our facilities in Urumqi and Changchun were RMB54.5 million and RMB72.2 million, respectively. We intend to primarily use our cash flows from operations, cash on hand and banking facilities to settle the remainder of these expenditures for these facilities by the end of 2012.

We commenced construction of our Urumqi and Changchun facilities around July 2009 and September 2009, respectively. We obtained the construction works planning permit and construction works commencement permit required for the Changchun facilities before the commencement of construction. We obtained the construction works commencement permit for the Urumqi facilities after it had commenced construction. As advised by our PRC legal adviser, Jun He Law Offices, since our Urumqi facilities have already obtained the construction works planning permit and construction works commencement permit required, such delay in obtaining the construction works commencement permit will not result in any substantial legal impediment to the ongoing construction works and future usage of the facilities.

The production lines at our production facilities generally operate 24 hours a day, seven days a week, with stoppages for repairs and maintenance, seasonal downtimes in Northeastern and Northwestern China due to weather conditions, and occasional power blackouts. Factory employees generally work eight hours a day, and there are three shifts per day at our production facilities. As of 31 December 2009, the design annual production capacity of our production facilities was approximately 905,700 tonnes of plastic pipes and pipe fittings.

The following table sets out our effective annual production capacity, production volume and utilization rate of our production facilities for plastic pipes and pipe fittings for each of the years ended 31 December 2007, 2008 and 2009:

	Year ended 31 December		
	2007	**2008**	**2009**
Effective annual production capacity (tonnes)	298,100	426,000	661,800
Production volume (tonnes)	256,801	372,970	579,384
Total utilization rate (%) [(1)]	86.1%	87.6%	87.5%

Note:

1. The utilization rates are calculated by actual production volume as of the end of the respective year divided by effective annual production capacity.

The following table sets out the effective annual production capacity, production volume and utilization rate of each of our production facilities for plastic pipes and pipe fittings for the years ended 31 December 2007, 2008 and 2009:

		Year ended 31 December									**As of 31 December**
Facility	**Commencement dates of operation**	**2007**			**2008**			**2009**			**2009**
		Effective annual production capacity (tonnes)	**Production volume (tonnes)**	**Utilization rate[(1)] (%)**	**Effective annual production capacity (tonnes)**	**Production volume (tonnes)**	**Utilization rate[(1)] (%)**	**Effective annual production capacity (tonnes)**	**Production volume (tonnes)**	**Utilization rate[(1)] (%)**	**Design annual production capacity (tonnes)**
Guangdong Liansu Technology	December 1999	131,900.00	115,422.00	87.5%	148,000.00	138,417.00	93.5%	304,500.00	273,709.00	89.9%	398,860.00
Wuhan Liansu	August 2002	61,600.00	51,482.00	83.6%	60,000.00	55,368.00	92.3%	64,800.00	61,404.00	94.8%	83,400.00
Heshan Liansu	November 2004	28,500.00	25,536.00	89.6%	32,500.00	30,215.00	93.0%	36,900.00	32,246.00	87.4%	42,800.00
Guangdong Liansu Municipal Engineering	July 2005	47,700.00	40,111.00	84.1%	91,300.00	85,625.00	93.8%	86,700.00	79,332.00	91.5%	106,700.00
Daqing Liansu	August 2008	—	—	—	5,600.00	722.00	12.9%	8,000.00	2,094.00	26.2%	15,000.00
Guiyang Liansu	August 2006	28,400.00	24,249.89	85.4%	35,400.00	33,223.00	93.9%	48,600.00	47,481.00	97.7%	67,700.00
Henan Liansu	January 2008	—	—	—	21,200.00	10,815.00	51.0%	23,600.00	21,184.00	89.8%	33,200.00
Hebei Liansu	November 2008	—	—	—	3,000.00	2,689.00	89.6%	34,100.00	28,294.00	83.0%	62,200.00
Sichuan Liansu	August 2009	—	—	—	—	—	—	4,200.00	2,868.00	68.3%	7,200.00
Nanjing Liansu	August 2009	—	—	—	—	—	—	14,000.00	7,987.00	57.1%	42,200.00
Zhongshan Walton	April 2008[(2)]	—	—	—	29,000.00	15,896.00	54.8%	36,400.00	22,785.00	62.6%	46,440.00
	Total:	298,100.00	256,800.89	86.1%	426,000.00	372,970.00	87.6%	661,800.00	579,384.00	87.5%	905,700.00

Notes:

1. The utilization rates are calculated by actual production volume as of the end of the respective year divided by effective annual production capacity.

2. The date refers to the date when Zhongshan Walton first came under the control of Mr. Wong and the results of Zhongshan Walton were first consolidated in the Group's results.

We plan to add design annual production capacities of approximately 245,000 tonnes, 370,000 tonnes and 330,000 tonnes in 2010, 2011 and 2012, respectively. All of our additional production facilities will produce our existing products as well as new products which may be produced by us, subject to market conditions and demand for our products at the relevant times. See "Research and Development" in this section for details on our product development process and examples of our recently developed products. The production capacities which we plan to add to our current operational production facilities, are expected to serve the needs of the demands of our existing customers and our potential new customers in the markets where we operate. New production facilities which we plan to construct are expected to serve the needs of newly-identified target markets. We will use our existing as well as newly-developed production technologies and will source most of the requisite production machines and equipment, mainly injection and extrusion machines, from domestic suppliers.

The following table sets out particulars of our expansion plan for production facilities up to 2012, subject to market conditions and demand for our products at the relevant times:

			Planned increase of design annual production capacity by 31 December			Status of expansion of existing production plant	Status of construction of new production plant		
Location	Facility	Expected total capital expenditure (RMB million)	2010 (tonnes)*	2011 (tonnes)*	2012 (tonnes)*	Commencement of operation of additional capacity at existing production plant	Actual or expected commencement of construction	Completion of construction and commencement of operation	Status as of the Latest Practicable Date
Southern China	Guangdong Liansu Technology[1] and Guangdong Liansu Municipal[1]	912.5	45,000			N/A	1st quarter of 2009	3rd quarter of 2010	A new production plant with a gross floor area of 22,253.35 m^2 is under construction on existing land. We have obtained the necessary approvals for commencement of construction.
				90,000		N/A	2nd quarter of 2011	4th quarter of 2011	We plan to construct a new production plant on existing land and are in the process of preparing the feasibility report. No approvals have yet been obtained.
					60,000	N/A	4th quarter of 2011	4th quarter of 2012	We plan to seek suitable land close to our current production facilities in Guangdong. On the assumption that we are able to obtain such land, we plan to construct a new production plant in the 4th quarter of 2011. No approvals have yet been obtained and no feasibility report has yet been prepared.
	Heshan Liansu[1]	250.9	28,000			N/A	2nd quarter of 2009	4th quarter of 2010	A new production plant with a gross floor area of 17,674 m^2 is under construction on existing land. We have obtained the necessary approvals for commencement of construction.
				22,000[3]		2nd quarter of 2011	N/A	N/A	Preparatory works have not yet commenced.
					10,000	N/A	4th quarter of 2011	3rd quarter of 2012	We plan to construct a new production plant on existing land. No approvals have yet been obtained and no feasibility report has yet been prepared.
Central China	Wuhan Liansu [1]	151.9	25,000			N/A	3rd quarter of 2009	2nd quarter of 2010	A new production plant with a gross floor area of 33,593.1 m^2 is under construction on existing land. We have obtained the necessary approvals for commencement of construction.
				12,200[3]		1st quarter of 2011	N/A	N/A	Preparatory works have not yet commenced.
					32,200	N/A	2nd quarter of 2011	1st quarter of 2012	We plan to seek suitable land close to our current production facilities. On the assumption that we are able to obtain such land, we plan to construct a new production plant in the 2nd quarter of 2011. No approvals have yet been obtained and no feasibility report has yet been prepared.
	Henan Liansu[1]	168.4	27,000[3]			3rd quarter of 2010	N/A	N/A	We participated in an auction and was successful in our bid for the land and the production plant in Henan which we leased before.
				46,000[3]		4th quarter of 2011	N/A	N/A	Preparatory works have not yet commenced.
Northern China	Hebei Liansu[1]	129.0	20,000[3]			4th quarter of 2010	N/A	N/A	Preparatory works have not yet commenced.
				45,600[3]		2nd quarter of 2011	N/A	N/A	Preparatory works have not yet commenced.
					30,000	N/A	3rd quarter of 2011	3rd quarter of 2012	We plan to construct a new production plant on existing land. No approvals have yet been obtained and no feasibility report has yet been prepared.
Southwestern China	Guiyang Liansu[1]	160.9	49,600[3]			2nd quarter of 2010	N/A	N/A	We have purchased and are in the process of installing and testing equipment and machines.
				36,700[3]		3rd quarter of 2011	N/A	N/A	Preparatory works have not yet commenced.
					4,400[3]	4th quarter of 2012	N/A	N/A	Preparatory works have not yet commenced.

Location	Facility	Expected total capital expenditure (RMB million)	Planned increase of design annual production capacity by 31 December: 2010 (tonnes)*	2011 (tonnes)*	2012 (tonnes)*	Status of expansion of existing production plant: Commencement of operation of additional capacity at existing production plant	Status of construction of new production plant: Actual or expected commencement of construction	Completion of construction and commencement of operation	Status as of the Latest Practicable Date
	Sichuan Liansu[1]	276.8	14,100[3]			4th quarter of 2010	N/A	N/A	Preparatory works have not yet commenced.
					41,000	N/A	4th quarter of 2011	4th quarter of 2012	We are actively seeking suitable land close to our current production facilities in Sichuan. On the assumption that we are able to obtain such land, we plan to construct a new production plant in the second half of 2011. We are preparing a feasibility report. No approvals have yet been obtained.
Eastern China	Nanjing Liansu[1]	198.8	10,000[3]			4th quarter of 2010	N/A	N/A	Preparatory works have not yet commenced.
				64,500[3]		2nd quarter of 2011	N/A	N/A	Preparatory works have not yet commenced.
					44,400	N/A	3rd quarter of 2011	2nd quarter of 2012	We plan to construct a new production plant on existing land. No approvals have yet been obtained and no feasibility report has yet been prepared.
Northeastern China	Daqing Liansu[1]	147.5	14,300			N/A	2nd quarter of 2009	4th quarter of 2010	A new production plant with a gross floor area of 26,712 m^2 is under construction on existing land. We have obtained the necessary approvals for commencement of construction.
				9,700[3]		4th quarter of 2011	N/A	N/A	Preparatory works have not yet commenced.
					18,000	N/A	3rd quarter of 2011	3rd quarter of 2012	We plan to construct a new production plant on existing land. No approvals have yet been obtained and no feasibility report has yet been prepared.
	Changchun Liansu[2]	198.1		33,300		N/A	3rd quarter of 2009	1st quarter of 2011	We have acquired the land and a new production facility is under construction. We have obtained necessary approvals for commencement of construction and have applied for and are in the process of obtaining the requisite environmental approvals.
					33,000[3]	4th quarter of 2012	N/A	N/A	Preparatory works have not yet commenced.
Northwestern China	Urumqi Liansu[2]	135.2	12,000			N/A	3rd quarter of 2009	4th quarter of 2010	We have acquired the land and a new production facility is under construction. We have obtained the necessary approvals for commencement of construction and have applied for and are in the process of obtaining the requisite environmental approvals.
				10,000[3]		4th quarter of 2011	N/A	N/A	Preparatory works have not yet commenced.
					12,000	N/A	1st quarter of 2012	4th quarter of 2012	We plan to construct a new production plant on existing land. No approvals have yet been obtained and no feasibility report has yet been prepared
	A new facility in Shaanxi	520.0			45,000	N/A	3rd quarter of 2011	4th quarter of 2012	We are actively seeking suitable land in Shaanxi. On the assumption that we are able to obtain such land, we plan to construct a new production plant in the 4th quarter of 2011. We are preparing the feasibility report. No approvals have yet been obtained
Total:		3,250.0	245,000	370,000	330,000				

* Refers to additional design annual production capacity calculated on the basis that the relevant production facility was operating 24 hours a day and 330 days for the entire year.

Note 1: Current operational production facilities.

Note 2: New production facilities under construction.

Note 3: Additional capacity expected to be added to existing production plant.

In general, a production facility commences its operation approximately one year after the commencement of construction.

We expect the total estimated expenditures for such expansion to be approximately RMB3,250 million, of which approximately RMB837 million is expected to be used for purchase of land use rights, approximately RMB1,318 million is expected to be used for construction of new factory buildings and approximately RMB1,095 million is expected to be used for purchasing production machines and equipment. We estimate the amounts of our expansion expenditures based on the historical amounts we have spent on the establishment and/or expansion of our facilities, such as the historical costs of construction of the existing plants and purchase of production machines and equipment, and the market prices of land in the relevant locations where purchase of land is planned. We have spent in total RMB355 million on the above expansion plans up to 31 March 2010. We plan to spend an additional RMB455 million, RMB1,500 million and RMB940 million on such expansion plans for the years ending 31 December 2010, 2011 and 2012, respectively. We intend to use part of the net proceeds from the Global Offering as well as our bank facilities and cash flows from operations to cover such estimated expenditures. We undertake to make appropriate disclosures in our annual and/or interim reports in order to update the status of our expansion plans.

As detailed in the "Industry Overview" section, Market Avenue expects the demand for plastic pipes in China to continue to grow in the next five years. Being a leading player in the industry, and with our experienced management team, research and development capabilities, well-established relationship with our major suppliers and customers, and quality of our products, our Directors believe that we are well-positioned to capture such potential growth. The Directors are of the view that our expansion plans will further strengthen our market position and enhance our ability to further increase market share, particularly in regions where we have not yet obtained significant market shares. Prior to investing in new production facilities in such regions, such as Urumqi and Changchun, we will establish sales offices, sales teams and distributor networks in these regions, and rely on relationships with some direct customers to generate initial demand for our products in these regions. Additional capacity will then be added when our management sees growth in demand in the target regional markets.

Our management team is experienced in managing rapid business growth as we increased the effective annual production capacity of our production facilities from 298,100 tonnes in 2007 to 661,800 tonnes in 2009. Each of our current operational production facilities has its own separate management team for daily operation. To support our expansion, we have recruited and will continue to recruit and train appropriate management and operational staff.

As we have established relationships with our major suppliers of raw materials, we will continue to coordinate our raw materials purchases on a group-wide basis to increase our bargaining power and reduce the risk of shortage. As the concentration of raw materials suppliers in China is relatively low, we do not believe we will encounter any difficulties in sourcing additional raw materials for our expanded capacity.

Our current information system connects all of our production bases and sales offices across China and enables us to share operational and financial data. To support our future expansion, we will implement the system in each newly established production facility and sales offices and continue to enhance our information management platform to assist us to effectively control and manage our production and sales networks.

The Chinese government has placed increasing focus on the application of plastic pipes. We believe this increasing focus is due to the attractive qualities of plastic pipes as compared to pipes made from traditional materials such as concrete and metal. As advised by our PRC legal adviser, Jun He Law Offices, our business is not within a restricted industry under the Foreign Investment Industry Guidance Catalog jointly issued by the MOC and NDRC in 2007. We have not encountered any material difficulty in the expansion of our production facilities during the Track Record Period, and to the best of our knowledge based on the prevailing facts and circumstances, we are not aware of any material difficulties for our future expansion under current PRC rules and regulations.

We have been expanding our production capacity throughout the Track Record Period and will continue to do so to capture the growing demand for our products and to enlarge our market share in various geographical areas. See "Business strategies — Continue to expand our market share by increasing our production scale and enhancing our marketing efforts" in this section for further details.

With the exception of our production facilities in Sichuan and Henan which are being leased by us (see "Appendix IV — Property Valuation — Property interests rented by the Group in the PRC and Hong Kong" for details), we own all of our production facilities. We believe that our production facilities are generally in good operating conditions, are functioning at optimal utilization rates, are generally adequate to meet our current requirements and, with respect to those facilities currently under construction and for future development, our anticipated requirements in the near future. Since July 2007, Guangdong Liansu Technology, Wuhan Liansu, Guiyang Liansu, Hebei Liansu, Henan Liansu, Heshan Liansu, Zhongshan Walton, Wuhan Liansu Mold, Sichuan Liansu and Nanjing Liansu, were accredited to meet ISO 9001 standards. See also "Quality Control" below for further details. We believe such accreditation is a recognition of the quality of our management systems.

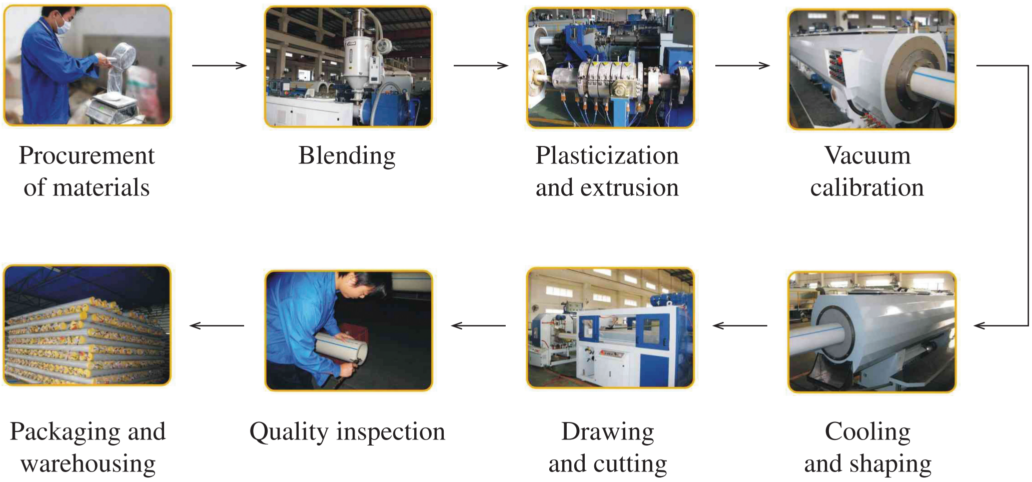
On 23 April 2010, we participated in the auction for the assets of Henan Hualin Group Industry Co., Ltd. (河南省華林集團工業有限公司) ("Henan Hualin") and was successful in our bid for Henan Hualin's land and the buildings and production lines thereon in Henan (including the property leased by us) for a price of RMB119 million. On 17 May 2010, we entered into an agreement with Hualin Bankruptcy Trustee under which it was agreed that RMB40 million of the auction price would be paid before 31 May 2010 (which we paid on 27 May 2010), with the balance to be paid before 30 June 2010. The parties have also agreed that the requisite procedures for the change of ownership of the relevant assets will commence within three months of the completion of payment of the entire auction price.

As of the Latest Practicable Date, we had several properties under construction for new production capacities, please refer to "Appendix IV — Property Valuation" for further information. We will obtain the relevant completion acceptance certificates for such properties before we commence operation.

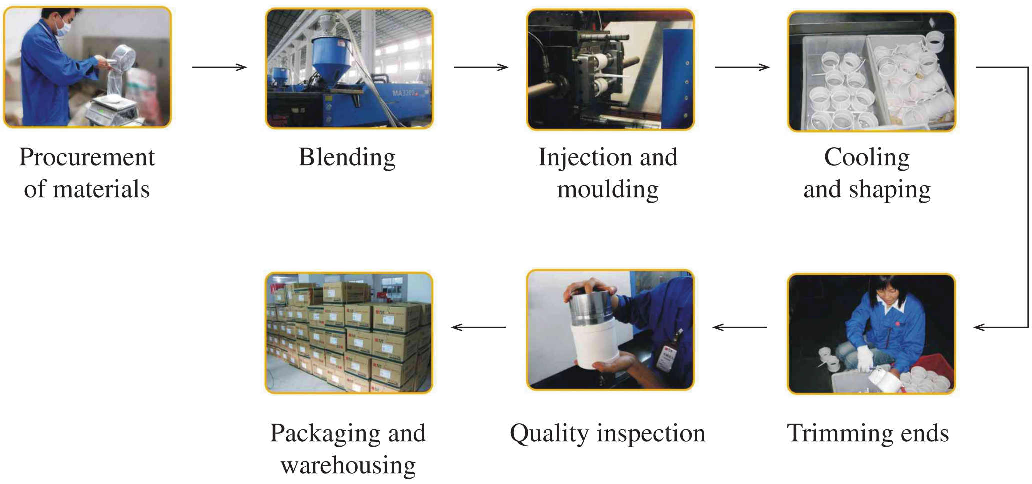
Production process

The production process of plastic pipes and pipe fittings is a typical process of polymer processing.

The extrusion processing technique is used in the production of plastic pipes. The following diagram outlines the general manufacturing process for the extrusion processing technique:



The injection moulding process is used in the production of pipe fittings. The following diagram outlines the general manufacturing process for the injection moulding process:



SALES, MARKETING AND DISTRIBUTION

Our products are either sold through direct sales by our regional sales teams or via our network of distributors who in turn sell the products to a wide range of end-users. Our regional sales teams work closely with our distributors and our large-scale and strategically important customers with a view to obtaining valuable regional market feedback and strengthening customer relations. We leverage on our distributors' network to promote our products and brand name. We generally give priority to our distributors to sell our products unless particular customers require us to sell to them directly, for example, for certain large projects where distributors may not have sufficient financial resources to fund the procurement from us, and in respect of customers with whom we have entered into strategic partnership agreements. Accordingly, although we retain the right to sell our products directly so as to cater for the requirements of such customers, we believe there is no competition or incentive issue with our distributors as our distributors are unable to sell to such customers due to the customers' own requirements or preference.

For the years ended 31 December 2007, 2008 and 2009, revenue generated by direct sales to our customers accounted for 54.9%, 53.8% and 45.9% of our revenue, respectively, while revenue generated by sales to our distributors accounted for 45.1%, 46.2% and 54.1% of our revenue, respectively.

Our top five customers for the years ended December 31, 2007, 2008 and 2009 accounted for RMB233.9 million, RMB259.8 million and RMB373.8 million in revenue or 8.9%, 7.2% and 7.0%, respectively, of our revenue for those years. As of 31 December 2009, our relationships with our top five customers for the year ended 31 December 2009 ranged from two to ten years. The principal businesses of our top five customers as of 31 December 2009 included wholesale, retail and trading of plastic pipes and pipe fittings, electrical appliances, chemical products, metal products and construction materials. Four of our top five customers as of 31 December 2009 were distributors. Our largest customer accounted for 2.5%, 1.8% and 2.1%, respectively, of our revenue for the same periods. For the years ended 31 December 2007, 2008 and 2009, sales to distributors who were our connected persons accounted for 0.1%, 1.2% and 0.2%, respectively, of our revenue. Such sales related to Beijing Liansu EI TI Trading Co., Ltd. (北京聯塑依達貿易有限公司) ("Beijing Liansu Trading"), Shanghai Liansu Trading Co., Ltd. (上海聯塑貿易有限公司) ("Shanghai Liansu Trading"), EI TI Investment Limited ("EI TI Investment") and Miquan Liansu Plastic Pipe Co., Ltd. (米泉市聯塑管道有限公司) ("Miquan Liansu") (Miquan Liansu had changed its legal name to Urumqi Shiying Pipeline Co., Ltd. (烏魯木齊市世盈管道有限公司) in 2009). Such companies had been granted licenses to use the "Liansu" trademark in their names. Beijing Liansu Trading was controlled by Mr. Tan Jianwen, a director of Hebei Liansu, and Shanghai Liansu Trading was controlled by Mr. Zuo Manlun, a Director, prior to their deregistration in November 2009 and June 2009, respectively. As of the Latest Practicable Date, EI TI Investment, which is controlled by Mr. Chao Wai Bong, a director of Heshan Liansu who is not a related party of any of our Directors or senior management, was in the process of deregistration which is expected to be completed by the end of 2010. Miquan Liansu was held by Mr. Kong Zhaocong, a Director, prior to its disposal to an Independent Third Party in August 2009. Such deregistrations and disposal were made to improve corporate governance and minimize continuing connected transactions with us. As of the Latest Practicable Date, no sales were made to any distributors who were our connected persons. If any sales to our connected persons are to be made in the future after our Listing, we will comply with all applicable requirements under the

Listing Rules. Save as disclosed above, none of the Directors, or their respective associates, or any Shareholder (to the knowledge of the Directors) holds more than 5% of the issued Shares or had any interests in any of our five largest customers during the Track Record Period.

Our Sales Team

As of the Latest Practicable Date, our regional sales teams consist of over 500 employees located at 29 sales offices across China. Our sales teams are managed by our sales department which is located at our headquarters. Our sales department, together with our local sales teams, are primarily responsible for the selection and supervision of our distributors, marketing directly to large-scale or strategically important customers, collecting market information from distributors and customers, and marketing our products and promoting our brand in local markets.

Our regional representative offices foster strong working ties with our end customers and distributors by maintaining regular contact with them and conducting on-site discussions and inspections on a regular basis. Through such contacts, we are able to better understand the latest market developments and our customers' businesses, working cultures and requirements. This helps us to serve them better and to provide solutions to meet their requirements. This close working relationship ensures that our customers' needs are fulfilled effectively and efficiently. Furthermore, from our managements' perspective, the on-going communication with distributors and the periodic on-site inspections allow us to ensure that our distributors are complying with the terms set out in the distribution agreements, our standardized pricing policies and operating procedures. We believe that working and interacting closely with our distributors allow us to manage our production and inventory more efficiently. Our distributors are required to follow our pricing policies and adopt our standard terms and conditions, both of which are set by our sales department. We believe this requirement helps to build a consistent brand image and strengthens managements' control over the distribution of our products.

Our Distributors

Our distributors are generally trading companies engaged in sourcing and trading of plastic materials and other materials used in constructions. Products are purchased by the distributors from us and then resold to their own customers, which include, among others, sub-distributors, civil contractors, utility companies, local municipalities and real estate developers. As of the Latest Practicable Date, we sold our products to more than 600 independent distributors. We aim to keep the number of distributors at an appropriate level and not grant exclusive rights to a geographic market to any one distributor. We currently sign non-exclusive agreements with all of our distributors because we believe that a certain level of competition encourages our distributors to maintain a higher quality of service. At the same time, we also try to inhibit the potential adverse effects of intra-brand competition by limiting the number of distributorships we grant. As of 31 December 2009, our relationship with our distributors ranged from a few months to as long as nine years. The following table shows the movement of the number of our distributors during the Track Record Period:

	Year ended 31 December		
	2007	2008	2009
Total number of distributors as of the beginning of the year	195	282	429
Number of new distributors	130	221	384
Number of distributors ceasing to be our distributors	(43)	(74)	(128)
Total number of distributors as of the end of the year	282	429	685

The cessation of distributorship during the Track Record Period was mainly due to the relevant distributor's failure to meet our sales targets, unsatisfactory service or other breaches of distribution agreements, and the relevant distributor's own business decision. Some former distributors of ours may continue to purchase our products through other distributors after cessation of their distributorship. We do not keep records on the sales and inventory levels of our distributors.

We believe the establishment and maintenance of a broad distribution network is important to the profitability and growth of our business. We believe our close cooperation with distributors enables us to achieve growth by leveraging the financial and management resources of our distributors as well as their expertise in local markets. This cooperation enables us to better manage our growing business and cater to increased market demand for plastic pipes and pipe fittings in China by allowing us to focus on designing and developing new products and focus our resources on developing our Liansu brand. We believe that the distributorship model has been instrumental in enabling us to increase our sales and profitability during the Track Record Period.

Selection of Distributors

The selection and management of our distributors is carried out by our sales department in our headquarters in Shunde, Guangdong Province, China, in consultation with sales representatives in our local sales offices. We generally select our distributors based on the following criteria:

- experience in the distribution/retailing of plastic pipe and fitting systems;
- ability to develop and operate a distribution network in a designated geographical region;
- strength of relationships with local architects, project developers and others who have influence over the choice of products by potential end-users; and
- creditworthiness and adequacy of financial resources.

Distribution Agreements

We enter into agreements with our distributors, whereby we generally grant each of them a non-exclusive right to distribute certain types of our products in a specified geographical area for a specified period of time. These distribution agreements are on substantially the same terms for each distributor, except for annual sales targets which may be different for different distributors and the relevant specified geographical areas. As the right granted to the distributors are non-exclusive, we retain the flexibility to appoint additional distributors in each specified geographical area.

Our distribution agreements typically contain the following principal terms:

- Term — One year subject to renewal by mutual agreement.

- Geographic territory — Distributors are authorized to sell certain of our products on a non-exclusive basis within a defined geographical area. Our distributors are not permitted to sell or distribute outside of the specified territories.

- Sales targets — We set applicable annual sales target for each distributor. There are typically no monetary penalties for failing to meet sales targets under our distribution agreements. However, we will generally take into consideration a distributor's sales amount and track record when deciding whether or not to renew their distributorship or appoint additional distributors in the same area.

- Payment terms — It is our general practice to require each of our distributors to make payment on or before delivery of products in accordance with the order. However, in certain circumstances in which distributors encounter difficulties making full payment in advance, such as when they are required to purchase a significant amount of our products for a large-scale project, a credit period of up to one month may be granted to distributors in our sole discretion.

- Undertakings — Each distributor is required to undertake to comply with our terms and conditions as set out in the distribution agreement, to adhere to our pricing policies, and to refrain from selling any products that compete with our products. Each of our distributors must also undertake, among other things, not to distribute products of our competitors similar to ours, distribute our products outside the relevant authorized regions, distribute counterfeit products or do anything which harms our brand.

- Return of products — Return of products is only allowed in the case of defective products or by mutual agreement.

- Pricing — The factors we take into account in determining the pricing of our products are the same for both distributors and direct customers. The prices charged to our distributors are generally lower than those to our direct customers, with exceptions for certain special customers or projects. We also set a minimum resale price for each product in the distribution agreement and reserve the right to adjust the price by taking into consideration the prevailing competition and market conditions. Our sales department monitors the compliance by our distributors of the minimum resale price requirement through feedback from customers and mutual monitoring and reporting by distributors. To the best of our knowledge, there has not been any material non-compliance by our distributors with our minimum resale price requirement during the Track Record Period. We do not grant sales rebates to our distributors.

- Termination rights — We are entitled to terminate the agreement in certain circumstances, including for breach of the agreement by the distributors, sale by the distributors of counterfeit products and failure to meet the relevant sales target as specified in the agreement. Our distributors do not have termination rights under the agreement except for breach by us of the terms of such agreements.

Our sales team monitors compliance and potential breach by our distributors of the terms of the distribution agreements through regular site visits and review of our distributors' performance from time to time. There is also an obligation under the distribution agreements on the part of the distributors to assist in our efforts to combat counterfeit products. In the event a distributor breaches its agreement with us, including, for example, by misappropriating our brand and selling counterfeit products, we may, depending on the circumstances, suspend sales to the distributor or terminate its distributorship. Since 2007, we have not experienced any material losses or claims resulting from misconduct or illegal practices by our distributors, and we have not experienced any material cancellation of orders or bankruptcy or default of any customer which materially adversely affected our business.

In order to facilitate sales and business development, we have licensed one of our distributors, Hainan Liansu Trading Co., Ltd. (海南聯塑貿易有限公司) ("Hainan Liansu"), an Independent Third Party, to use the "Liansu" trademark for the period commencing on 1 September 2009 and expiring on 20 May 2013. The license in respect of this distributor is non-exclusive and limited to class 35 (comprising advertising, business management, business administration and office functions) and the licensing agreement in respect thereof restricts any use of the trademark outside the specific scope. Under the agreement, no license fee is payable and we may terminate the license and claim for damages in the event of breach. For the years ended 31 December 2007, 2008 and 2009, sales to Hainan Liansu accounted for 1.0%, 0.9% and 1.6% of our total revenue, respectively. Our Directors are of the view that the use of the license by the distributor did not conflict or compete with our business as it was non-exclusive and used to facilitate sales of our products. Our sales team monitored the distributor through regular site visits and reviews to ensure proper use of the license. As of the Latest Practicable Date, the license has been terminated and Hainan Liansu has changed its name to Hainan Shunsheng Trading Co., Ltd. (海南順生貿易有限公司). We do not intend to grant any further trademark licenses to distributors going forward.

Support to Distributors

We regularly support our distributors in various bidding/tender processes organized by end-users, including, among others, government entities for large-scale civil and municipal projects, utility companies and real estate developers. We work closely with our distributors and end-users to better understand their particular needs and preferences. In cooperation with us, our distributors are able to offer a wide selection of plastic pipes and pipe fittings on attractive terms, thereby enhancing their chance of winning tenders for large-scale projects, and enabling us to leverage their financial resources and their expertise in specific product categories and/or markets.

We have an online ordering system which enables our distributors to make timely and paperless orders via the Internet. In order to familiarize our distributors with the system, we provide specific training to them. We believe this system also reduces the chance of errors made by our distributors due to any miscommunications in the ordering process.

We offer training several times a year through physical meetings and online resources to assist our distributors to improve their operational and management skills and to enhance their knowledge about our products.

Direct Customers

We target certain large-scale or strategically important customers (such as government entities, utility companies and real estate developers) as our direct customers and work directly with them through our own local sales teams. During the year ended 31 December 2009, we sold our products to more than 5,000 direct customers. Our local sales teams have extensive knowledge about their local markets and seek to actively develop relationships with current and potential customers.

We usually develop and maintain direct customers through bidding/tender processes or by way of individual negotiations. Sales contribution from the bidding/tender process accounted for approximately 10% to 15% of our revenue during the Track Record Period. The bidding/tender process may vary for each customer or project and generally involves invitation by the customer for a bid/tender, which may be an open invitation or a closed invitation under which only selected suppliers would be invited. We would then submit a bid/tender with our offer or proposal containing the information required under the invitation. If we are successful in the bid/tender, we will then enter into formal agreement with the customer. The strategic partnership agreements we enter into with select direct customers generally have a one-year term, subject to renewal by mutual agreement. Other major terms in such agreements include product pricing, delivery terms, payment terms, compliance with applicable national and industry standards and termination and liabilities in the event of breach. Pursuant to these strategic partnership agreements or supply agreements, we provide plastic pipes and pipe fittings to our direct customers at competitive prices. We provide credit periods of varying lengths ranging from 30 days to 180 days to our direct customers depending on our relationship and agreement with them. In determining our relationship with them, we generally take into account their creditworthiness, adequacy of financial resources and their reputation.

Overseas Sales

We also sell a small amount of our products overseas to countries and regions primarily in Africa, Asia and North and South America. These sales are primarily made through orders we receive from our overseas distributors or directly in trade shows, such as the China Import and Export Fair which we attend every year. The terms of our overseas sales are generally similar to those for our local sales in China. Products sold to overseas customers are inspected and picked up by the customers' representatives in China. The customers then arrange their own transportation and installation overseas. Any quality issues are dealt with during the customers' inspection of the products in China. Products may not be returned after the customers have acknowledged receipt and inspection and removed them from our premises. We do not provide after-sales services to overseas customers. For the years ended 31 December 2007, 2008 and 2009, sales to customers located outside of China accounted for 1.6%, 1.4% and 0.6% of our revenue, respectively. We plan to increase our international sales and the number of our distributors in overseas markets such as North and South America and Southeast Asia. As of 31 December 2007, 2008 and 2009, we had one, three and five distributors outside China, respectively.

Marketing and promotion

Our marketing and promotion strategies have been important to our success and have focused on developing our uniformed Liansu brand that customers can easily identify and associate with high-quality plastic pipe products. This has been promoted through consistent use of our Liansu brand and logo, our media advertising and participation in trade fairs. Our advertising expenses for the years ended 31 December 2007, 2008 and 2009 were RMB11.3 million, RMB16.0 million and RMB25.4 million, respectively, which represented 0.4%, 0.4% and 0.5% of our total revenue, respectively, for the corresponding periods.

Pricing

We determine pricing for our products based on various factors, including our production costs, our market position, our marketing strategy, market supply and demand, market competition, the margin of such products, the age and life cycle of such products and our relationship with the relevant customers. We set different prices for different customers. Our price quotations generally incorporate an amount to cover raw materials costs, which we base on current prices of raw materials as quoted to us by our suppliers, and our labor and manufacturing costs. We review these prices periodically with our customers in order to reflect changing market and operational conditions. See "Financial Information — Factors affecting results of operations and financial condition of the Group — Pricing of our products" for further details.

CUSTOMER SERVICE

We offer our customers, directly or through third-party contractors, a number of value-added services, including pre-sale consultation services, engineering services, training for installation contractors on jointing techniques, site supervision and guidance and after-sales services. We believe the range and efficiency of the services we provide are major factors that attract our customers to our business.

Our product return policy only allows products to be returned due to product defects as assessed and agreed upon by our quality control department or by mutual agreement. Such assessment is based on sample testing against the applicable national or industry standards. If a particular product does not satisfy the applicable standards, it may be returned to us. In most situations, we agree to bear the transportation costs for such product returns, which we believe has helped us to build stronger customer relationships. For the years ended 31 December 2007, 2008 and 2009, the value of products returned to us due to defects as measured by our lost revenue from the returned products amounted to RMB220,000, RMB1,723,000 and RMB742,000, respectively, accounting for 0.008%, 0.048% and 0.014% of our revenue, respectively, for the corresponding periods. Given the low level of returned products, we do not have any provisioning policy for product warranty service.

Customer Service Department

Our customer service department, located in our headquarters in Shunde and our other production facilities in China, serves as the principal contact for our customers throughout the product order life-cycle. The department acts as a liaison between our company and customers to provide updates of contract and project status. In addition to handling contract and project inquiries, the department also coordinates timelines and schedules for production, site services and engineering activities through integrated project plans.

Our customer service department works closely with other divisions and personnel located in our production facilities and sales offices across China to ensure that our products and services are delivered in accordance with the relevant contractual terms and agreed schedules.

Pre-sale Consultation Services

We offer a large number of different plastic pipes and pipe fittings made from a variety of different materials and built according to different designs and specifications. It is sometimes difficult for our customers and potential customers to choose products most suitable to their requirements. In order to facilitate their selection, we provide our customers and potential customers with pre-sale consultation services and advise them on which of our plastic pipes and pipe fittings are cost-effective and appear to be most suitable to their needs.

After-sales Services

Our customer service department, in cooperation with our construction project service division in each production facility, also provides on-site supervision and guidance services to our customers in accordance with the terms of the customers' contracts. These services include training installation contractors on jointing techniques, sending on-site engineers to oversee pipe-laying and sending on-site work crews to perform complicated jointing tasks. For projects requiring complicated and advanced technology or large-scale projects, we also assist customers by introducing work crews or outsourcing service providers who are familiar with our products to perform the required tasks. These outsourcing service providers are Independent Third Parties and we did not receive any fees or commissions from them during the Track Record Period.

We provide product warranties for certain of our direct customers for periods of generally one year. Under such warranties, we agree to replace or repair products with quality defects caused during production or transportation (if we were responsible for the delivery) and provide technical consultation or spare parts within the warranty period.

BRANDING AND BRAND RECOGNITION

Our plastic pipe products are sold under our Liansu brand which was recognized as a "China Well-known Trademark" in 2005. We had an independent advertising department in our headquarters, consisting of 24 full-time employees as of 31 March 2010, which is responsible for promoting our brand in various regional markets. As of 13 May 2010, we owned 127 trademarks and had applied for an additional 21 trademarks in China. In addition, we have registered our Liansu brand in 18 other countries and regions.

The success of our brand building activities is reflected in the various recognitions and awards we have received, including:

2005

- Our Liansu brand was recognized by the Trademark Office of the State Administration for Industry and Commerce of the People's Republic of China (中華人民共和國國家工商行政管理總局商標局) as a "China Well-known Trademark" (中國馳名商標).
- Guangdong Liansu Technology was registered as a "United Nations Supplier" with the United Nations Procurement Service of the United Nations.

2006

- Our plastic pipes and pipe fittings produced under the brand "Liansu" were certified as a "China Top Brand Product" (中國名牌產品) by the General Administration of Quality Supervision, Inspection of Quarantine of the People's Republic of China (中華人民共和國國家質量監督檢驗檢疫總局).

2009

- Our Liansu brand was recognized as one of the "Commodity Trademarks with Highest Competitiveness in 2009" (2009最具競爭力的商品商標) by the Organizing Committee for 2009 (the Third) China Trademark Festival (2009(第三屆)中國商標節組委會) and China Trademark Association (中華商標協會).

RESEARCH AND DEVELOPMENT

The plastic pipe industry in China is characterized by rapid development and increasing demand for quality products. Research and development has been an important factor in our success. We believe that we must keep abreast of new technological developments in the plastic pipe industry in order to fulfill our customers' needs and requirements and stay competitive in the rapidly changing environment. We continually seek to develop new products, manufacturing processes and technology while constantly improving the functionality of our existing products. For the years ended 31 December 2007, 2008 and 2009, we spent RMB11.6 million, RMB11.2 million and RMB20.8 million, respectively, on research and development. Such costs are included under "Other operating expenses, net" in our consolidated statements of comprehensive income.

We have an experienced research and development team responsible for designing and engineering our products and processes. Our research and development team has extensive experience in the plastic pipe industry. Our research and development team is led by our executive Directors Mr. Chen Guonan and Mr. Lin Shaoquan, and our chief technical officer Mr. Yang Jiyue. Both Mr. Chen Guonan and Mr. Lin Shaoquan are qualified senior engineers, and Mr. Yang Jiyue is a qualified intermediate engineer. They have on average industry work experience of approximately 16 years. Our research and development team is specialized in the following areas in relation to our products and processes: polymer chemistry, plastic technics, plastic mould and manufacture, and water supply and drainage engineering. As of 31 March 2010, our research and development team consisted of 604 employees, among which 233 employees were engaged in designing and engineering all of our products and processes, and 371 additional employees were engaged in the design of moulds used in our production. These employees accounted for approximately 7.5% of our total number of employees as of the same date. We also have field engineers located in our production facilities and sales offices across China. Due to frequent interactions with our customers, our field engineers have developed a deep understanding of our customers' needs and requirements. The close collaboration of our research and development team with our field engineers and engineers in different departments enables us to design and develop products that are tailored to the specific needs and practical applications of our customers. We believe the combination of our engineers' experience and our customer-oriented research and development approach distinguishes us from many of our competitors.

We collaborate with various research institutes and leading universities such as Sun Yat-sen University (中山大學), South China Normal University (華南師範大學), Guangzhou Institute of Chemistry, Chinese Academy of Science (中國科學院廣州化學研究所) and Guangdong University of Technology (廣東工業大學). As of the Latest Practicable Date, we did not have any financial commitment under such collaborations.

Examples of products, which our research and development team has recently developed or is currently working on, include:

Product	Application
Spray and drip irrigation piping system	Used in Agriculture water-saving irrigation
Polyethylene electrofusion fittings	Used in the connection of polyethylene pipe system
Same floor drainage piping system	Used in urban drainage system
Solar water heater piping system	Used in the solar hot water pipe

As of 13 May 2010, we held 114 patents and have applied for an additional 128 patents in China and had nine patents outside of China that are pending. Recognising our leading position and expertise in the industry, we have been invited to participate in drafting or revising seven national industrial standards for the plastic pipe industry in China.

We believe that research and development is essential to our success. We have been recognized by several national and provincial government entities for our research and development capabilities, which we believe may help to enhance our reputation in the plastic pipe industry and build up confidence in our products. We have obtained numerous rewards and recognitions in our industry, which reflect our success in research and development, including:

- Our research and development center was recognized as a "Guangdong Provincial Plastics Pipe Engineering Technology Research and Development Center" (廣東省塑料管道工程技術研究開發中心) by the Science and Technology Department of Guangdong Province (廣東省科學技術廳), Development and Reform Commission of Guangdong Province (廣東省發展和改革委員會) and The Economic and Trade Commission of Guangdong Province (廣東省經濟貿易委員會) in 2004;

- Guangdong Liansu Technology was recognized as a "Key High-tech Enterprise" in the "National Torch Program" (國家火炬計劃重點高新技術企業) by the Torch High Technology Industry Development Centre of the Ministry of Science and Technology of the People's Republic of China (中華人民共和國科學技術部火炬高技術產業開發中心) in 2005;

- Guangdong Liansu Technology was recognized as a "Plastic Pipe New-tech Industrialization Demonstration Base" (建設部塑料管新技術產業化示範建設基地) by the Ministry of Development of the People's Republic of China (中華人民共和國建設部) in 2006;

- Our research and development center was designated by the Ministry of Human Resources and Social Security of the People's Republic of China (中華人民共和國人力資源和社會保障部) and National Post-doctoral Development Administration Committee (全國博士後管委會) in 2008 as a Post-Doctoral Work Station (博士後科研工作站) in the plastic pipe industry in China to date; and

- Guangdong Liansu Technology was recognized as a "High and New Technology Enterprise" (高新技術企業) by Guangdong Provincial Science and Technology Department (廣東省科學技術廳), Guangdong Provincial Finance Bureau (廣東省財政廳), Guangdong Provincial Office of State Administration of Taxation (廣東省國家稅務局) and Guangdong Provincial Local Taxation Bureau (廣東省地方稅務局) in 2008.

- Wuhan Liansu was recognized as a "High and New Technology Enterprise" (高新技術企業) by Hubei Provincial Science and Technology Department (湖北省科學技術廳), Hubei Provincial Finance Bureau (湖北省財政廳), Hubei Provincial Office of State Administration of Taxation (湖北省國家稅務局) and Hubei Provincial Local Taxation Bureau (湖北省地方稅務局) in 2009.

RAW MATERIALS

The principal raw materials for the production of our plastic pipes and fittings are plastic resins such as PVC, PE and PP-R. We acquire most of our PVC resins from suppliers in China, where PVC resins are primarily manufactured using coal and limestone, as opposed to petrochemicals that are primarily used in many other parts of the world. The other plastic resins such as PE and PP that we use are manufactured using petrochemical intermediates. For the years ended 31 December 2007, 2008 and 2009, our cost of raw materials amounted to RMB2,053.8 million, RMB2,760.6 million and RMB3,627.5 million, respectively, accounting for 89.9%, 88.6% and 88.3%, respectively, of our cost of sales. The following table sets out the cost of our major raw materials for the Track Record Period:

	Year ended 31 December		
	2007	**2008**	**2009**
	(RMB in millions)		
PVC resins	1,111.5	1,370.6	1,909.9
Other resins	389.5	683.7	805.1
Plastic resins subtotal	1,501.0	2,054.3	2,715.0
Other raw materials	552.8	706.3	912.5
Raw materials total	2,053.8	2,760.6	3,627.5

The primary raw materials used in a majority of our pipe products is PVC resin manufactured in the PRC from coal and limestone. Prices for PVC resins from the PRC have been affected by various factors, including fluctuations as a result of shortages in refinery capacity, changes in PVC manufacturers' electrical and labor costs, changes in coal prices and changes in the price of petrochemical based PVC resins on the global market. In addition to coal and limestone based PVC resins, we also use a significant amount of various petrochemical based plastic resins in our production, prices of which have fluctuated significantly in recent years as a result of changes in natural gas and crude oil prices. The unit costs of the plastic resins we use were affected by these fluctuations. Our average PVC resin unit cost per tonne was approximately RMB6,127, RMB6,624 and RMB5,572 in 2007, 2008 and 2009, respectively, while the average unit cost per tonne of our other plastic resins was approximately RMB11,639, RMB11,717 and RMB8,441 for the same respective periods. See "Financial Information — Cost of Raw Materials" and "Risk Factors — Risks Relating to Our Business — Our financial performance is dependent on the cost and continued availability of plastic resins" for additional information on factors affecting the prices of our raw materials.

It is our policy to purchase raw materials only from high-quality, reliable suppliers, who can ensure that their raw materials are up to the standards required for our products. Our policy is to maintain an inventory level of one to two months' supply of our principal raw materials at all times. We have signed formal framework agreements with our suppliers which generally have a term of one year and provisions regarding the indicative volumes to be purchased during the year but do not have fixed price provisions. The indicative volumes under the agreements are not minimum purchase requirements, and there is no penalty for failing to purchase up to such indicative volumes. Settlement is generally by payment before delivery. Disputes are generally resolved amongst the parties and there are generally no express termination provision under the framework agreements. We believe we have strong relationships with our key suppliers, allowing us to obtain greater uniformity with regard to quality and logistics to an extent that would not be possible if we bought our raw materials on the spot market.

We believe we are one of the largest customers of most of our key suppliers, which provides us with additional bargaining power. We centrally coordinate our raw material purchases on a company-wide basis to increase our bargaining power, maximize volume discounts and decrease availability risks. As the concentration of raw material suppliers in China is relatively low, we believe, with our market position and purchasing power, alternative suppliers with comparable quality and prices are readily available to us if any of our existing suppliers cease to supply raw materials to us.

We have not entered into any long-term forward purchase contracts or hedges with respect to our raw material costs. We seek to mitigate the market risk related to commodity pricing by passing the increases in raw material costs through to our customers in the form of price increases. See "Inventory Management" in this section and "Financial Information — Quantitative and Qualitative Information About Market Risk — Commodity price risk."

We negotiate with our suppliers to deliver raw materials directly to our production facilities, which substantially reduces our transportation costs for the raw material delivery.

For the years ended 31 December 2007, 2008 and 2009, our top five raw material suppliers accounted for 36.9%, 30.5% and 32.8%, respectively, of our total purchases for the same periods. Our relationship with our top five suppliers for the year ended 31 December 2009 ranged from one to 11 years. The principal businesses of our top five suppliers as of 31 December 2009 included manufacture, sales, import and export, wholesale and trading of chemical industrial raw materials. We sourced mainly PVC from these suppliers. As of the Latest Practicable Date, the Group had 27 suppliers of PVC. Our largest raw material supplier accounted for 12.2%, 11.5% and 13.2%, respectively, of our total purchases for the same periods. None of the Directors, or their respective associates, or any Shareholder who or which (to the knowledge of the Directors) holds more than 5% of the issued Shares or had any interests in any of our five largest suppliers throughout the Track Record Period.

We have not experienced any material difficulties in sourcing raw materials for our requirements and have not encountered any material disruption to our business as a result of any shortage of raw materials or bankruptcy or default of our suppliers during the Track Record Period.

ENERGY SUPPLY

Production of plastic pipes is heavily dependent on a reliable supply of electricity. For the years ended 31 December 2007, 2008 and 2009, our costs of electricity and fuel amounted to RMB112.3 million, RMB160.0 million and RMB185.0 million, respectively, accounting for 4.9%, 5.1% and 4.5%, respectively, of our cost of sales for the relevant periods. We have a relatively stable and reliable supply of electricity from the State Grid Corporation of China (國家電網公司) and China Southern Power Grid Co., Ltd. (中國南方電網有限責任公司). We have experienced occasional interruptions in the supply of electricity to one or more of our production facilities due to routine checks and maintenance of the grid and power generation facilities and occasional regional power shortages. In such cases, we were given prior written notice of the interruptions, and these interruptions did not have a material adverse effect on our production. See the section headed "Risk Factors — Risks Relating to Our Business — Our operations rely on a continuous power supply and the ready availability of utilities, and any shortages or interruptions could significantly disrupt our operations and increase our expenses". We do not believe that the historical interruptions to our power supply warrants the expense of providing for back-up generators or other alternative sources of power.

INVENTORY MANAGEMENT

We monitor and control the inventory levels of raw materials and finished products to maintain the efficiency of our operations. Our policy is to maintain an inventory level of one to two months' supply of our principal raw materials and finished goods at all times. We adjust the volume of our raw material purchases and arrange production based on our estimation of market demand for our products and, to a lesser extent, changes in the market prices of the raw materials. We use an in-house inventory management system to monitor, plan and allocate warehouse space, and manage raw materials and finished products to meet delivery requirements and schedules. Our inventory management system provides access to various records, including usage of warehouse space, volume of raw materials and finished products in inventory. This allows our management and sales and production teams to monitor closely the implementation of our inventory policy and to adjust our production schedules and raw material purchases accordingly.

Our inventory of raw materials primarily consists of PVC, PE and PP-R. Our inventory of finished products primarily consists of products awaiting delivery to customers. We put different categories of products into different warehouses to facilitate our inventory management. See the section headed "Financial Information — Inventory analysis" in this prospectus for further information about our turnover days for raw materials and finished products.

We have not made any provisions for inventory obsolescence during the Track Record Period. Our primary raw materials are not generally susceptible to obsolescence by passage of time. We did not experience any shortage of inventory during the Track Record Period.

QUALITY CONTROL

As of 31 March 2010, our quality control division employed over 210 quality control employees located in our corporate headquarters in Shunde and in our production facilities. Guangdong Liansu Technology, Wuhan Liansu, Guiyang Liansu, Hebei Liansu, Henan Liansu, Heshan Liansu, Zhongshan Walton, Wuhan Liansu Mold, Sichuan Liansu and Nanjing Liansu have received ISO9001 accreditation. Our quality control process can be divided into three main aspects:

- Development of new products — Newly-developed products undergo a series of testing procedures before they are commercially produced to ensure that the product complies with all applicable industry standards and meets the functions and specifications required.

- Procurement of materials — Materials supplied by suppliers are inspected and sample-tested on delivery to ensure that they meet the requisite quality standards before they are used in our production.

- Production — We have formulated and implemented standard operating procedures, including but not limited to having quality control personnel monitor and perform sample testing with respect to every stage of the production process to ensure our products are produced in accordance with the required standards. Final products are sample tested prior to delivery to our customers to ensure that internal and China's national and other applicable quality standards have been met.

EMPLOYEES

As of 31 March 2010, we had a total of 8,097 full-time employees. The following table shows a breakdown of our employees by department as of 31 March 2010:

	Number of Employees
Production	4,654
Warehouse	919
Quality control and research and development	820
Sales and marketing	560
Management and administration	434
Back office and security	249
Customer services	237
Finance and accounting	177
Purchase and supply	25
Information technology	22
TOTAL	8,097

We believe that we maintain satisfactory working relationships with our employees. We have not experienced significant problems with our employees or disruptions in our operations due to labor disputes. In order to minimise the risk of labor shortages, we continuously aim to further improve our management skills and maintain a stable labor force by providing what we believe to be attractive compensation packages and career advancement opportunities. During the Track Record Period, we did not suffer any material losses resulting from a shortage of labor. Please refer to the section headed "Risk Factors — Risks Relating to the PRC — The implementation of the new PRC Labor Contract Law and related regulations and the expected increase in labor costs in the PRC may materially and adversely affect our business and profitability".

We are committed to employee development and have implemented various programs for this purpose, including various training programs designed to enhance our employees' industrial and technical skills and to increase their knowledge of work safety standards.

The remuneration payable to our employees includes salaries and allowances. We determine our staff's remuneration based on factors such as qualifications and years of experience. Our labor costs for the years ended 31 December 2007, 2008 and 2009 were RMB130.7 million, RMB215.4 million and RMB223.8 million, respectively.

We reward our senior management with annual bonuses based on various performance criteria. As part of our remuneration policies for our senior management, we have in place two share-based remuneration schemes — the Pre-IPO Share Option Scheme and the Share Option Scheme. These schemes are designed to provide incentives and rewards to our employees. For further details on the principal terms of the Pre-IPO Share Option Scheme and the Share Option Scheme, please refer to "Appendix VI — Statutory and General Information — Other Information — Pre-IPO Share Option Scheme". We believe that by offering our key employees a shareholding stake in our Company, we are aligning their interests with ours, thereby providing our key employees with more incentive to improve our performance.

Under PRC national laws and regulations, our subsidiaries in the PRC are required to make mandatory contributions to a number of social insurance schemes, such as pension insurance, for their employees who are eligible for such benefits. We provide social insurance to our employees in accordance with the implementation policies of local government authorities, and we have received confirmation letters from the local governmental authorities indicating that we have made all requisite contributions to the social security insurance funds in a timely manner according to the local regulations, other than the housing provident fund contributions in respect of certain of our subsidiaries. We are also subject to various labor laws and regulations in the PRC, including PRC Labor Law (中華人民共和國勞動法) and the PRC Labor Contract Law (中華人民共和國勞動合同法). Pursuant to these laws, we are required to enter into labor contracts if we are to establish labor relationships with our employees. We must provide wages, which are not lower than the local minimum wage standards, to such employees. We are required to establish labor safety and sanitation systems, strictly abide by PRC rules and standards and provide relevant training to our employees. We must also provide our employees with working conditions that meet PRC rules and standards for safety and sanitation and we must regularly examine the health of our employees engaged in hazardous occupations. The PRC Labor Contract Law also imposes more stringent requirements on employers in relation to entering into fixed term employment contracts, hiring of temporary employees and dismissing employees. Our Directors have confirmed that, save for the outstanding contributions to the housing provident fund mentioned above, which have however been provided for and were reflected in the consolidated financial statements of our Group, our Group has complied with, and has made the relevant contributions in accordance with, the relevant labor and social security laws and regulations as of the Latest Practicable Date.

INTELLECTUAL PROPERTY

We use a combination of our patents, trademarks, trade names, confidentiality agreements and design rights to define and protect our rights to the intellectual property in our products. However, we do not rely on patents, trademarks, trade names and design rights from third parties to produce our products.

As of 13 May 2010, we owned 114 patents and have applied for an additional 128 patents in China and had nine patents outside of China that are pending. A number of these patents are important to our business. Our patents are currently used in our business or are held for use in our business as and when appropriate. In China, a patent for an invention is valid for 20 years from the date of application and a patent for a utility model or design is valid for 10 years from the date of application. As of the Latest Practicable Date, we have not received any rejection notices from the relevant authorities for any of our pending patent applications. We believe that even if some applications are rejected, the rejections will not adversely affect our operation and business because most of our products are produced using publicly known technologies and not technologies for which patents are pending registration. For patents that are about to expire, as PRC laws and regulations are silent on the renewal process, we cannot renew our ownership of those patents after their respective expiration dates. However, we believe that such expiration of patents will not adversely affect our operation and business because we are still able to use the technology underlying such patents even after their expiration dates. Details of our patent portfolio are set out in "Appendix VI — Statutory and General

Information — Further Information about our Business — Our intellectual property rights". Save as disclosed in the section headed "Connected transactions and relationship with the Controlling Shareholder", none of our patents are licensed to or used by our connected persons.

As of 13 May 2010, we owned 127 trademarks and had applied for an additional 21 trademarks in China. In addition, we have registered our Liansu brand in 18 other countries and regions. Other than the trademarks we currently use in our business, the trademarks we own also include (i) those in categories which we do not use but do not want others to use; (ii) those in names which we do not want others to use; and (iii) those which we do not currently use but which we may use in the future. In China, a trademark is valid for 10 years from the date of registration and renewable by application. We intend to renew such trademarks prior to their expiration. Details of our important trademark portfolio are set out in "Appendix VI — Statutory and General Information — Further Information about our Business — Our intellectual property rights". Save as disclosed in the section headed "Connected transactions and relationship with the Controlling Shareholder", none of our trademarks are licensed to or used by our connected persons.

We take the following steps to protect and prevent infringement of our intellectual property rights:

- produce in-house products with proprietary designs to minimise counterfeit products;
- obtain various intellectual property registrations;
- set up a specialized team under the legal department to be responsible for preventing infringement — this team cooperates closely with our sales and marketing teams, and upon notification by our sales and marketing teams of counterfeit products or other infringements of our intellectual property, it will verify the facts and take appropriate action, including issuing warnings and taking legal actions;
- prohibit our distributors from selling counterfeit products; and
- require our distributors to report instances of counterfeit products in the market.

We have encountered instances of counterfeit products sold in certain locations in China. None of these instances, however, materially affected our business and operations. We filed two counterfeit product claims in China in 2007, 11 in China and five in Hong Kong in 2008, and one in China and one in Hong Kong in 2009, in which we made claims against third parties in relation to such infringements for approximately RMB1.1 million, RMB3.3 million and RMB1.0 million, respectively. The Group has not suffered any material financial loss as a result of these infringements during the Track Record Period and as of the Latest Practicable Date.

We have not been involved in any material intellectual property rights infringement claims or litigation during the Track Record Period.

ENVIRONMENTAL AND SAFETY MATTERS

Environmental

We are subject to the national environment laws of the PRC, the regulations of the State Council issued thereunder, and environmental rules promulgated by various ministries and local governments in jurisdictions in which our production facilities are located. These include regulations regarding air pollution, noise emission and solid waste discharge. The Ministry of Environmental Protection sets national discharge standards for various pollutants and local environmental protection bureaus may set stricter local standards. Enterprises are required to comply with the stricter of the two applicable standards. If these requirements are violated, the polluting entity will be required to pay excess discharge fees as set by the PRC government.

In addition to general environmental protection laws and regulations, our business is subject to various laws and regulations in the production and operation process, including: the Law of the PRC on the Prevention and Control of Atmospheric Pollution (中華人民共和國大氣污染防治法); the Law of the PRC on the Prevention and Control of Water Pollution (中華人民共和國水污染防治法); the Law of the PRC on the Prevention and Control of Pollution from Solid Wastes (中華人民共和國固體廢物污染環境防治法); the Law of the PRC on Prevention and Control of Pollution From Environmental Noise (中華人民共和國環境噪聲污染防治法); the Water Law of the PRC (中華人民共和國水法); and the Provisional Measures on Administration of License for the Discharge of Water Pollutants (水污染排放許可證管理暫行辦法).

We aim to develop our business without compromising environmental protection. The primary waste produced in our production process are plastic pellets, most of which can be recycled and reused in the production process. In addition, our production facilities have water-recycling systems which recycle the water used for cooling in our production process to minimize waste water discharge. We are in compliance with the environmental laws and regulations for our production plants in all material respects. We have not been punished or reprimanded or required to pay any excess discharge fees for any violation of environmental laws or regulations during the Track Record Period. We have appointed two employees to formulate and implement our compliance measures. The leader of the team, Mr. Huang Hua, graduated from the Food Engineering Faculty of the Guangxi University (廣西大學) in 1989. He has been responsible for our environmental compliance work for more than eight years since joining us in 2001. The other member of the team, Mr. Zhu Hangqiao, graduated from the South China Agriculture University (華南農業大學) in 2007 with a bachelor's degree in management. Prior to joining our Group in 2009, he was responsible for the establishment of Guangdong Liansu Machinery's management system, ISO accreditation work, and environmental management and assessment. The team coordinates with the legal department from time to time to keep abreast of the latest development of the compliance standards, environmental law and regulations. We will continue to monitor, maintain and upgrade our production systems, as and when necessary, to ensure compliance with applicable environmental laws and regulations and to minimise potential risks of non-compliance.

Guangdong Liansu Technology, Wuhan Liansu, Guiyang Liansu, Hebei Liansu, Henan Liansu, Heshan Liansu, Zhongshan Walton, Wuhan Liansu Mold, Sichuan Liansu and Nanjing Liansu have received ISO14001 "Environmental Certification" with a term of three years, with expiry dates ranging from January 2012 to December 2012. Our facilities are subject to regular checks by the relevant authority.

Safety

During the Track Record Period, we complied with all applicable safety laws and regulations in all material respects and strictly implemented internal safety guidelines and operating procedures. Since the commencement of our business, none of our employees has been involved in any major accident in the course of their employment and we have not been subject to disciplinary actions with respect to the labor protection issues discussed below.

We have occasionally been brought in front of labor arbitration tribunals regarding the amount we should pay to our employees or ex-employees for work-related injuries. It is our policy to settle these claims pursuant to the arbitration tribunals' orders in order to avoid any further disputes. We have paid all such compensation according to the orders or the settlement agreements that we have reached with our employees or ex-employees. For the years ended 31 December 2007, 2008 and 2009, the total amount we have paid with respect to these cases was nil, nil and RMB393,000, respectively.

Guangdong Liansu Technology, Wuhan Liansu, Guiyang Liansu, Hebei Liansu, Henan Liansu, Heshan Liansu, Zhongshan Walton, Wuhan Liansu Mold, Sichuan Liansu and Nanjing Liansu have received OHSMS18001 "Occupational Health and Safety Management System Certification" with a term of three years and are subject to regular checks by the relevant authority.

INFORMATION SYSTEM

We have a separate department, comprising 22 staff as of 31 March 2010, in charge of the establishment and maintenance of our information system. Our information system was established by our internal team with the help of external vendors. Our information system connects all of our production bases and sales offices across China and enables us to share operational and financial data, such as our inventory levels, sales volumes and order amounts. As our business continues to expand, we will continue to enhance our information management platform to assist us to effectively control and manage our production and sales offices across China.

LEGAL PROCEEDINGS AND OTHER MATTERS

We have obtained all material licenses, permits or certificates necessary to conduct our operations from the relevant government authorities in China. The material licenses and permits in relation to our business operations include the Permit for Hygiene and Safety Products related to Potable Water (涉及飲用水衛生安全產品衛生許可批件), the Certificate of Labeling Application for Fire Resistant Products (阻燃製品標識使用證書), and the Permit for Production of Special Equipments (特種設備製造許可證). The term of the Permit for Hygiene and Safety Products related to Potable Water and the Permit for Production of Special Equipments is four years, and the term of the Certificate of Labeling Application for Fire Resistant Products is three years. We have not failed to renew these licenses and permits during the Track Record Period, and to the best of our knowledge, we have no reason to believe that there will be any legal impediment to our renewal of such licenses and permits.

We are involved from time to time in litigation arising in the ordinary course of business, including lawsuits and proceedings before various courts and arbitration tribunals involving contractual, labor, intellectual property and other matters. Although it is difficult to estimate our potential exposure in connection with these matters, we do not believe that these matters have had or will have a material adverse effect on our financial position, results of operations or liquidity.

To the best of our knowledge, we are not and have not been subject to any government, legal or arbitration proceedings, nor are we aware of any threatened or pending proceedings, which may have or have had a material adverse effect on our financial position or profitability during the Track Record Period. Our PRC legal adviser, Jun He Law Offices, has confirmed that, to the best of its knowledge, save as disclosed in this prospectus, there has been no material non-compliance by us with applicable PRC laws and regulations during the Track Record Period. We have also taken relevant measures to ensure ongoing compliance with relevant laws and regulations.

INSURANCE

We have purchased product liability insurance policies from multiple insurance companies in China that cover our major products against losses and damages that are caused by the use of our products. Our insurance also covers many of our products against loss of raw materials in transit from overseas and loss of products in delivery. We have also purchased insurance policies to cover our production facilities (including buildings, machinery, equipment and vehicles) against losses and damage to such facilities (excluding business interruption losses) caused by natural perils.

Most of the Company's operations-related insurance policies are subject to deductibles and are renewed annually. Some of our insurance coverage does not extend to wars or acts of terrorism. We believe that we maintain adequate insurance coverage for our assets and that our insurance coverage is in line with industry practice in China.

Consistent with what we believe to be customary practice within the industry in China, we do not carry any third-party liability insurance to cover claims in respect of personal injury or property or environmental damage arising from accidents on our property or relating to our operations (other than our automobiles), nor do we carry any business interruption insurance or key-man life insurance on our key employees. There is a risk that we do not have sufficient insurance coverage for losses, damages and liabilities that may arise in our business operations. See the section headed "Risk Factors — Risks Relating to Our Business — Our insurance coverage may not be sufficient to cover the risks related to our operations or any losses."

COMPETITION

The plastic pipes industry is highly competitive. According to Market Avenue, in 2009, the top 20 plastic pipe manufacturers accounted for approximately 47% of the total production volume in the industry.

Our key competitors consist of other PRC manufacturers of plastic pipes, as well as large foreign producers that have entered into China through joint ventures or subsidiaries. Many of these joint ventures and foreign companies have substantially greater manufacturing, financial, research and development and marketing resources and geographical reach than us.

We believe that the principal competitive factors in our industry are:

- service offerings and product quality;
- geographical location and coverage;
- research and development capabilities;
- pricing;
- general reputation and reliability in meeting product delivery schedules; and
- flexibility and timeliness in responding to design and schedule changes.

We believe that the intense competition in the China plastic pipe industry will continue in the future. See the section headed “Risk factors — Risks Relating to Our Industry — The industry in which we operate is highly competitive, and a further increase in competition or productivity by our competitors may materially and adversely affect our market share and profit margins” and the section headed “Industry Overview”.

PROPERTIES AND FACILITIES

As of 31 March 2010, we operated our businesses through 23 properties in the PRC and Hong Kong for our production facilities, offices and other places of operations. These properties consist of: (i) the land use rights to 13 parcels of land with a total site area of approximately 1,702,455.26 sq.m.; (ii) the buildings with a total gross floor area of approximately 413,155.80 sq.m.; (iii) the buildings under construction with a total expected gross floor area of approximately 329,754.57 sq.m.; and (iv) six leased properties with a gross floor area of approximately 90,223.94 sq.m. As of 31 March 2010, properties at seven of our 11 production locations were pledged to certain banks to secure loans granted to our Group. For details, please refer to “Appendix IV — Property Valuation”.

Our PRC legal adviser, Jun He Law Offices, has advised that, save as disclosed in the section headed “Risk Factors — Risks Relating to Our Business — There are title defects relating to certain properties occupied by us in Shunde and Sichuan”, we have obtained all the required land use rights and building ownership certificates or the relevant construction permits for all our owned properties, and for our leased properties in the PRC, all lease agreements requiring lease registration have been duly registered with the relevant registration authorities, save for the leased premises leased by Sichuan Liansu. Our PRC legal adviser, Jun He Law Offices, has advised us that even though the lease arrangement has not been registered, the lease agreement entered into by Sichuan Liansu is legal, valid and enforceable under PRC law. Going forward, we intend to carefully examine the relevant title documents and related environmental reports and approvals of each potential landlord before entering into a lease agreement for a new facility or land with the landlord. We also intend to require our landlords to carry out lease registration.

We are currently exploring a variety of options to ensure that we will have adequate facilities for our operations in Sichuan, including working with the owner of our current site in Sichuan to find an arrangement under which we can continue to occupy the site and looking for an alternative site in Southwestern China where we can lease or purchase alternative facilities. Should there be a need for us to relocate our production facilities currently based in Sichuan, we believe we will be able to relocate to comparable production facilities in Southwestern China on commercially reasonable terms.

Please refer to "Appendix IV — Property Valuation" for further details of our owned and leased properties.

Valuation

CBRE, an independent real estate valuation company, valued the capital value of property interests attributable to us at approximately RMB1,180.95 million as of 31 March 2010. The letter, summary of values and the valuation certificate issued by CBRE in connection with its valuation are set out in "Appendix IV — Property Valuation".

CONTINUING CONNECTED TRANSACTIONS

Exempt continuing connected transactions

Lease agreements with Guangdong Liansu Machinery and Guangdong Liansu Electric

On 20 December 2009, we entered into lease agreements with Guangdong Liansu Machinery and Guangdong Liansu Electric (the "Lessees"). The Lessees are companies indirectly wholly-owned by Mr. Wong, a Director and the Controlling Shareholder. Accordingly, the Lessees are connected persons of the Company as defined under the Listing Rules. We entered into the lease agreements because the properties were leased to the relevant parties historically and we would like to carry out the terms of leases until their expiry. In addition, such leases provide us with rental income. The Directors are of the view that the leases are on normal commercial terms.

Under the lease with Guangdong Liansu Machinery (the "GLM Lease"), we agreed to lease part of our property located in the east of Dengdong Road, Longjiang Town Community, Shunde District, Foshan City, Guangdong Province, PRC (the "GLM Property") to Guangdong Liansu Machinery for use as its production facilities.

The term of the GLM Lease is one year commencing on 1 January 2010 and expiring on 31 December 2010. We will not be renewing the GLM Lease upon its expiration. The rent payable by Guangdong Liansu Machinery to us under the GLM Lease is RMB374,400 per annum.

Under the lease with Guangdong Liansu Electric (the "GLE Lease"), we agreed to lease part of our property located in the east of Dengdong Road, Longjiang Town Community, Shunde District, Foshan City, Guangdong Province, PRC (the "GLE Property") to Guangdong Liansu Electric for use as its production facilities.

The term of the GLE Lease is one year commencing on 1 January 2010 and expiring on 31 December 2010. We will not be renewing the GLE Lease upon its expiration. The rent payable by Guangdong Liansu Electric to us under the GLE Lease is RMB480,000 per annum.

We did not lease any property to Guangdong Liansu Machinery and Guangdong Liansu Electric in 2007 and 2008. For the year ended 31 December 2009, the aggregate rent we received from the GLM Lease and the GLE Lease was RMB356,000.

The aggregate rent payable under the GLM Lease and the GLE Lease will be RMB854,400 for the year ending 31 December 2010. CBRE, an independent real estate valuation company, has confirmed that the rent payable under the GLM Lease and the GLE Lease is at market level. The rent will fall within the de-minimis exemption under Rule 14A.33(3) of the Listing Rules and is therefore exempt from the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

Lease agreements with Mr. Wong

On 20 December 2009 and 1 January 2010, we entered into five lease agreements with Mr. Wong, a Director and the Controlling Shareholder. Under the leases with Mr. Wong (the "Wong Leases"), Mr. Wong agreed to lease to us four properties located in Guangdong for use as office, cafeteria, workshops and warehouses, and one property in Hong Kong for use as office (the "Wong Properties"). As we have been leasing these properties from Mr. Wong historically, the Directors are of the view that it is in the interest of the Group in terms of cost, time and stability to continue the Wong Leases instead of purchasing such properties or finding and relocating to alternative properties. The Directors are of the view that the Wong Leases are on normal commercial terms.

The term of each of the Wong Leases for the Guangdong properties is nine years commencing on 1 January 2010 and expiring on 31 December 2018, and may be terminated at any time during the term by us. The nine-year term for the Guangdong properties is to provide us with the flexibility of leasing the properties for a longer term for convenience, stability and other reasons in the interest of the Group. The term of the Wong Lease for the Hong Kong property is two years commencing on 1 January 2010 and expiring on 31 December 2011.

We did not pay any rent under the Wong Leases during the Track Record Period as Mr. Wong agreed to lease the Wong Properties to us for free prior to 2010.

The aggregate rent payable by us to Mr. Wong under the Wong Leases is RMB3,230,873 per annum for the Guangdong properties and HK$216,000 per annum for the Hong Kong property. Such rent was determined based on comparable market rent. The rent for the Guangdong properties will increase at the rate of 10% every three years. The basis for such increase is to take into account the expected market increases in rental and inflation. CBRE, an independent real estate valuation company, has confirmed that the rent payable under the Wong Leases is at market level. The rent under the Wong Leases will fall within the de-minimis exemption under Rule 14A.33(3) of the Listing Rules and is therefore exempt from the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

Trademark licensing agreements

We entered into various trademark licensing agreements (the "TM Agreements") with Guangdong Liansu Profiles, Guangdong Liansu Machinery, Guangdong Liansu Electric, Guangdong Liansu Plumbing and Guangdong Liansu Valves Co., Ltd. (the "TM Licensees"). The TM Licensees are companies indirectly wholly-owned by Mr. Wong, a Director and the Controlling Shareholder. Accordingly, the TM Licensees are connected persons of the Company as defined under the Listing Rules. The principal business activities of the TM Licensees are as follows:

Name of TM Licensee	Principal business	Licensing period
Guangdong Liansu Profiles................	Manufacture and sale of plastic profiles and plates used in the manufacture of doors and windows	7 November 2008 — 6 November 2011
Guangdong Liansu Machinery	Manufacture and sale of plastic extrusion equipment	1 September 2009 — 1 September 2014
Guangdong Liansu Electric................	Manufacture and sale of electric accessories	21 May 2008 — 20 May 2011

Name of TM Licensee	Principal business	Licensing period
Guangdong Liansu Plumbing	Manufacture and sale of fire fighting, valve and plumbing accessories	1 September 2009 — 1 September 2014
Guangdong Liansu Valves Co., Ltd.....	Manufacture and sale of valves	1 September 2009 — 1 September 2014

Under the TM Agreements, we agreed to grant licenses to the TM Licensees for the use of our trademarks (Registration numbers: 1165446, 1251506, 1304639, 1311260, 1373207, 1388519, 1388297, 1662387, 1664661 and 4880481). The terms of the licenses are generally five years, most of which are renewable by mutual agreement. We entered into the TM Agreements because we do not use the licensed trademarks in the specific classes in our operations while the licenses have been historically granted to the TM Licensees for use on authorized goods and the licenses provide us with additional income. The Directors are of the view that the licenses are on normal commercial terms. At the time of entry into the licenses, we considered the TM Licensees' business needs and the fact that we do not use the licensed trademarks in the specific classes in determining the various terms of the licenses. Taking into account such factors, some of the licenses were granted for more than three years. The TM Agreements provide for the scope and limitations of use and provisions for termination and damages in the event of breach by the TM Licensees. Our local sales representatives will also regularly monitor the use of our trademarks through market observation and customer feedback and report any breach of our licenses.

We did not grant any license to the TM Licensees for use of our trademarks in 2007. For the years ended 31 December 2008 and 2009, the aggregate license fee we received for the licenses was RMB125,000 and RMB450,000, respectively.

The aggregate license fee payable by the TM Licensees to us under the TM Agreements is RMB0.85 million per year. The license fees under the TM Agreements were arrived at after arm's length negotiation between the parties based on a number of different factors including the scale of operations and actual production and financial capabilities of the TM Licensees, and the costs of application and protection of the relevant trademarks, and not based on the revenue generated by the TM Licensees from the trademarks. The fee will fall within the de-minimis exemption under Rule 14A.33(3) of the Listing Rules and are therefore exempt from the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

Patent licensing agreements

We entered into various patent licensing agreements (the "Patent Agreements") with Guangdong Liansu Machinery (the "Patent Licensee"). The Patent Licensee is a company indirectly wholly-owned by Mr. Wong, a Director and the Controlling Shareholder. Accordingly, the Patent Licensee is a connected person of the Company as defined under the Listing Rules. The principal business activities of the Patent Licensee are as follows:

Name of Patent Licensee	Principal business	Licensing period
Guangdong Liansu Machinery	Manufacture and sale of plastic extrusion equipment	Six years

Under the Patent Agreements, we agreed to grant licenses to the Patent Licensee for the use of our patents (Patent numbers: ZL200420083266.9, ZL200420047376.X, ZL200410027772.0, ZL200410051204.4, ZL200520055175.9, ZL200520065613.X, ZL200620059076.2 and ZL200620063221.4). The term of the licenses is six years, renewable by mutual agreement. We entered into the Patent Agreements because we do not use the licensed patents in our operations while the licenses have been historically granted to the Patent Licensee for use on authorized goods and the licenses provide us with additional income. The Directors are of the view that the licenses are on normal commercial terms. At the time of entry into the licenses, we considered the Patent Licensee's business needs and the fact that we do not use the licensed patents in determining the various terms of the licenses. The Patent Agreements provide for the scope and limitations of use and provisions for termination and damages in the event of breach by the Patent Licensee. We will also regularly monitor the use of our patents and report any breach of our licenses.

For the years ended 31 December 2007, 2008 and 2009, the aggregate license fee we received for the licenses was RMB26,000, RMB43,000 and RMB43,000, respectively.

The aggregate license fee payable by the Patent Licensee to us under the Patent Agreements is RMB43,333 per year. The license fees under the Patent Agreements were arrived at after arm's length negotiation between the parties based on a number of different factors including the scale of operations and actual production and financial capability of the Patent Licensee and the cost of application and protection of the relevant patents, and not based on the revenue generated by the Patent Licensee from the patents. The fee will fall within the de-minimis exemption under Rule 14A.33(3) of the Listing Rules and is therefore exempt from the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

Agency agreements

We entered into various agency agreements (the "Agency Agreements") with Yuegao Trademark and Yuegao Patent ("Yuegao"), agencies specialising in registrations of trademarks and patents. Under the Agency Agreements, we engaged Yuegao to carry out, on our behalf, various trademark registrations and patent applications and other related matters such as trademark disputes and transfers. As we have not performed such trademark and patent related matters by ourselves historically and Yuegao has been dealing with such matters for us and is familiar with our numerous trademarks and patents, the Directors are of the view that it is in the interest of our Group to continue the engagement of Yuegao for convenience and efficiency, although we may terminate such engagement at any time and engage an Independent Third Party if necessary. The Directors are of the view that the Agency Agreements are on normal commercial terms.

Yuegao comprises companies in which Mr. Lin Dewei, a non-executive Director, holds a 51% equity interest. Accordingly, Yuegao is a connected person of the Company as defined under the Listing Rules.

We enter into the Agency Agreements from time to time as and when the services of Yuegao are needed for matters relating to our trademarks and patents. Each of the Agency Agreements is effective as from our payment of the relevant agency fee and thereunder until the completion of the relevant tasks by Yuegao, and may be terminated by us at any time. The agency fees payable for patent matters are based on the fee guidance issued by the All-China Patent Agents Association (中華全國專利代理人協會) and the agency fees payable for trademark matters are based on the fee levels generally charged in the market.

For the years ended 31 December 2007, 2008 and 2009, the aggregate agency fee paid by us to Yuegao was RMB383,000, RMB452,000 and RMB425,000, respectively.

Based on past experience, the number of our trademark registrations is generally around 50 within China and 20 outside China per year. Based on the general levels of agency fees charged for trademark registrations within China and outside China, we estimate that the total agency fee for trademark registrations would not exceed RMB250,000 per year. As for patent registrations, based on our experience, the number of our patent registrations is generally around 100 per year. Based on the general levels of agency fees charged for registration of different types of patents, we estimate that the total agency fee for patent registrations would not exceed RMB400,000 per year. Accordingly, we estimate that the aggregate agency fee payable by us under the Agency Agreements will be less than HK$1 million per year. The fee will fall within the de-minimis exemption under Rule 14A.33(3) of the Listing Rules and is therefore exempt from the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

Non-exempt continuing connected transactions

Equipment purchase agreement with Guangdong Liansu Machinery

Background

Guangdong Liansu Machinery is indirectly wholly-owned by Mr. Wong, a Director and the Controlling Shareholder. Accordingly, Guangdong Liansu Machinery is a connected person of the Company as defined under the Listing Rules.

On 20 December 2009, we entered into a framework equipment purchase agreement with Guangdong Liansu Machinery, pursuant to which we agreed to purchase (on a non-exclusive basis) equipment for plastic pipe manufacturing from Guangdong Liansu Machinery and Guangdong Liansu Machinery agreed to supply (on a non-exclusive basis) such equipment to us. Under the equipment purchase agreement, the quality and price of the equipment supplied to us must be comparable to the quality and price of similar equipment that we can obtain from an Independent Third Party. As and when we require equipment, we would generally seek quotations from several selected suppliers. According to our policy, we select our suppliers based on various criteria including their location, availability of equipment, performance of equipment and pricing. The selection is made by a supplier selection team comprising staff from our production, technical, asset management and procurement departments, headed by our chief technical officer, Mr. Yang Jiyue, and our executive Director Mr. Lai Zhiqiang. The need for equipment and the relevant technical requirements are first raised by our production department. The actual technical specifications are then determined by our technical department. Our asset management department, supervised by our executive Director Ms. Zuo Xiaoping, would then carry out the purchase application and relevant accounting entries in accordance with our standard procedures for purchases. Our procurement team would then proceed with the purchase, such as negotiate prices and other terms of the purchase and enter into formal agreements, in accordance with our standard procedures. Our arrangement with Guangdong Liansu Machinery is subject to the same selection procedure as our other suppliers. The equipment purchase agreement was entered into in the ordinary course of our business on normal commercial terms.

Guangdong Liansu Machinery has been historically the entity responsible for providing equipment for our operations before it was disposed of by us to Star Excel on 26 December 2008. Accordingly, we believe it is in the interest of the Group to continue to purchase certain equipment for the manufacture of our plastic pipes and pipe fittings from Guangdong Liansu Machinery because Guangdong Liansu Machinery is familiar with our requirements and is a reliable source of high quality equipment at reasonable prices. Although alternative suppliers of equipment are available in the market at comparable prices and quality, the Directors are of the view that it is in the interest of the Group for the Group to have the arrangement in place to purchase from Guangdong Liansu Machinery due to its reliability and track record of providing quality equipment to us.

Price determination

The price of equipment to be supplied under the equipment purchase agreement is to be a price not exceeding market price.

Term and termination

The equipment purchase agreement is for a term of three years commencing on 1 January 2010 and expiring on 31 December 2012, and is renewable by either party for another term of three years by giving at least one month's notice prior to the expiration of the initial term, subject to mutual agreement of the specific terms of the renewed agreement. The equipment purchase agreement may be terminated prior to its expiration (1) by mutual agreement or (2) by us in the event that Guangdong Liansu Machinery does not agree to a variation of the agreement proposed by us based on our actual operational needs.

Other terms

The type of equipment to be supplied by Guangdong Liansu Machinery under the agreement will depend on the actual needs of the Group and a separate agreement will be entered into for each purchase, setting out the prices and payment arrangements for that purchase. The equipment supplied by Guangdong Liansu Machinery is required to comply with all applicable national standards, and if no such standards are applicable, the applicable standards issued by the relevant authorities or the enterprise standards and any special technical requirements agreed between the parties.

Historical figures

Historically, we purchased equipment from related companies Guangdong Liansu Machinery, Guangdong Liansu Values Co., Ltd. (廣東聯塑閥門有限公司), Yunan County Liansu Machinery Co., Ltd. (郁南縣聯塑機器有限公司), Guizhou Ruihua Plastics Co., Ltd. (貴州瑞華塑膠有限公司) and Jiangmen Liansu Soft Hoses Co., Ltd. (江門聯塑軟管有限公司) (the "Historical Suppliers") and our total purchases of equipment from the Historical Suppliers amounted to RMB6.8 million, RMB35.8 million and RMB130.4 million for the years ended 31 December 2007, 2008 and 2009, respectively, accounting for 13.4%, 26.7% and 48.6% of our additions of plant and machinery, respectively. Our purchases of equipment from Guangdong Liansu Machinery for the years ended 31 December 2007, 2008 and 2009 were nil, RMB2,495,000 and RMB49,162,000, respectively. For the years ended 31 December 2007, 2008 and 2009, our total purchase from Guangdong Liansu Machinery accounted for 0%, 1.9% and 18.3% of our additions of plant and machinery, respectively.

As of the Latest Practicable Date, all of the Historical Suppliers other than Guangdong Liansu Machinery have ceased to produce the equipment we require, as such, we have only entered into a equipment purchase agreement with Guangdong Liansu Machinery for our purchases going forward.

Annual caps

The maximum aggregate annual amount for each of the three years ending 31 December 2010, 2011 and 2012 under the equipment purchase agreement payable by us to Guangdong Liansu Machinery must not exceed the proposed annual caps set out below:

	Proposed annual cap for the year ending 31 December		
	2010	**2011**	**2012**
		(RMB)	
Total purchase value	50,000,000	60,000,000	70,000,000

In arriving at the above annual caps, our Directors have taken into account a number of factors, including the historical amounts purchased from the Historical Suppliers, the expected and planned expansion of our production facilities, the expected quantities and types of equipment required, the historical prices of such equipment, the market conditions and the expected development trend of the PRC plastic pipe industry, as well as the expected growth in the demand and supply of our products, and the increases in the selling prices of equipment in recent years. In view of the expansion plans of our production facilities for the years 2010 to 2012 as discussed in "Business — Production Facilities and Production Process — Production Facilities", an increasing amount of equipment will be required for our expansion. Since we have other external suppliers to supply the equipment required for our expansion and are planning to acquire only a portion of the equipment through Guangdong Liansu Machinery, our Directors considered that the proposed annual caps above are appropriate.

Listing Rules

The equipment purchase agreement constitutes a continuing connected transaction subject to reporting and announcement requirements but exempt from the independent shareholders' approval requirement under the Listing Rules. We have applied for and have obtained an exemption from the Stock Exchange from complying with the announcement requirement under Rule 14A.47 of the Listing Rules.

Utilities agreement with Guangdong Liansu Machinery and Guangdong Liansu Electric

Background

Under the GLM Lease and the GLE Lease (the "Leases"), we leased the GLM Property and the GLE Property (the "Properties") to Guangdong Liansu Machinery and Guangdong Liansu Electric, being companies indirectly wholly-owned by Mr. Wong, a Director and the Controlling Shareholder. Details of the Leases are set out under the sub-paragraph headed "Lease agreements with Guangdong Liansu Machinery and Guangdong Liansu Electric" in this section.

As the costs of utilities consumed by the Lessees on the Properties are charged by the relevant government authority on us, being the owner of the Properties, and not on the Lessees, we pay such utilities costs on behalf of the Lessees and the Lessees reimburse us the amount of such costs to us. Such arrangement will continue for the duration of the Leases.

On 31 December 2009, we entered into two supplemental agreements (the "Utilities Agreement") with the Lessees to formalize our arrangement with them regarding the reimbursement of utilities costs in respect of the Properties.

Transaction amount

The amount payable by the Lessees to us under the Utilities Agreement shall be equal to the amount of utilities costs charged by the relevant government authorities on the utilities consumed by the Lessees on the Properties.

Term and termination

The Utilities Agreement is for a term of one year commencing on 1 January 2010 and expiring on 31 December 2010, or on termination of the Leases, if earlier.

Historical figures

As we did not lease any property to the Lessees in 2007, no amount was received from them in relation to utilities for that year. In 2008, although we did not lease any property to the Lessees, they purchased some utilities from us to satisfy their production needs. For the years ended 31 December 2008 and 2009, the aggregate amounts we received from the Lessees in relation to utilities were RMB2,842,000 and RMB2,467,000, respectively.

Annual cap

It is proposed that the annual cap for the Utilities Agreement shall be RMB8 million for the year ending 31 December 2010. In arriving at the annual cap, our Directors have taken into account a number of factors including the historical amounts of the utilities costs paid by the Lessees, an estimated increase in the Lessees' utilities consumption of no more than approximately 56% due to the increase in their production as a result of their rapid growth in sales, as well as an estimated increase in utilities prices of no more than approximately 60% based on historical increase in utilities prices.

Listing Rules

The Utilities Agreement constitutes a continuing connected transaction subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under the Listing Rules. We have applied for and have obtained an exemption from the Stock Exchange from complying with the announcement requirement under Rule 14A.47 of the Listing Rules.

Application for waiver for non-exempt continuing connected transactions

Our Directors (including the independent non-executive Directors) consider that the non-exempt continuing connected transactions described above were and will be entered into in the ordinary and usual course of business of our Group, on normal commercial terms, and are fair and reasonable and in the interests of our Shareholders as a whole. Our Directors are of the opinion that each of the proposed annual caps for the non-exempt continuing connected transactions disclosed above is fair and reasonable and in the interests of our Shareholders as a whole.

As the above non-exempt continuing connected transactions are expected to continue on a recurring basis and are expected to extend over a period of time, our Directors consider that strict compliance with the announcement requirement would be impractical and would add unnecessary administrative costs to the Company. Accordingly, we have applied to the Stock Exchange, and the Stock Exchange has granted, a waiver to the Company under Rule 14A.42(3) of the Listing Rules from strict compliance with the announcement requirement under Chapter 14A of the Listing Rules, expiring on 31 December 2012. We will comply with the relevant requirements under Chapter 14A of the Listing Rules, including, but not limited to, the proposed annual caps set out above, and will re-comply with the relevant rules of Chapter 14A of the Listing Rules (including shareholders' approval requirements as appropriate) if the waiver from the Stock Exchange expires or any of the respective annual caps set out above is exceeded, or when the relevant agreements expire or are renewed or when there is a material change to the terms of the relevant agreements. We confirm that we will ensure compliance with the provisions under Chapter 14A of the Listing Rules as amended from time to time, and will immediately inform the Stock Exchange if there are any material changes to the aforesaid transactions.

Confirmation from the Joint Sponsors

The Joint Sponsors are of the view that (i) the non-exempt continuing connected transactions described above for which waiver is sought are on normal commercial terms and have been entered into in the ordinary and usual course of business of the Group and (ii) the proposed annual caps of the non-exempt continuing transactions are fair and reasonable and in the interest of the Shareholders as a whole.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDER

Immediately after completion of the Capitalization Issue and the Global Offering, our Controlling Shareholder will own 2,250,000,000 shares (representing approximately 75% of the Shares then in issue) (assuming the Over-allotment Option is not exercised). Other than the interest of the Controlling Shareholder in us, as of the Latest Practicable Date, neither the Controlling Shareholder nor any of its associates had interests in any other companies which (i) held interests in our business during the Track Record Period and ceased to hold such interests after the Reorganization; or (ii) may, directly or indirectly, compete with our Group's business. As of the Latest Practicable Date, none of our Directors have interest in any business which may, directly or indirectly compete with our Group's business.

The following table sets out the entities held by the Controlling Shareholder during the Track Record Period and/or as of the Latest Practicable Date and their respective principal businesses:

Name of entity	Principal business	Interest held by Mr. Wong directly or indirectly
EI TI HK	Investment holding	This company was deregistered on 20 March 2009.[1] Prior to its deregistration, it was wholly-owned by Mr. Wong.
Liansu International Development Co. Limited	Investment holding	This company was deregistered on 7 August 2009.[1] Prior to its deregistration, it was wholly-owned by Mr. Wong.
Shunde Liansu Industrial	Manufacture of plastic products	This company was deregistered on 26 March 2008.[1] Prior to its deregistration, Mr. Wong owned a 75.41% equity interest in this company.
Foshan Shunde Yingxin Property Management Co., Ltd. (佛山市順德區盈信物業管理有限公司)	Property management	This company was indirectly owned by Surplus Win Group Limited, which was disposed of by Mr. Wong to Mr. Zuo Manlun, Ms. Zuo Xiaoping, Ms. Zuo Xiaoying and an Independent Third Party on 4 December 2009.

Name of entity	Principal business	Interest held by Mr. Wong directly or indirectly
Foshan Somso Wine Co., Ltd. (佛山市西堡紅酒有限公司)	Wine trading	This company was owned by Somso Estate Wines & Vintners International Corporation, which was disposed of by Mr. Wong to Mr. Zuo Manlun and an Independent Third Party on 31 August 2009.
Guangdong Liansu Electric	Manufacture and sale of electric accessories	100%
Guangdong Liansu Machinery	Manufacture and sale of plastic extrusion equipment	100% (this company was disposed of by us to Star Excel on 26 December 2008)
Guangdong Liansu Profiles	Manufacture and sale of plastic profiles and plates used in the manufacture of doors and windows	100%
Guangdong Liansu Valves Co., Ltd. (廣東聯塑閥門有限公司) (formerly known as Guangdong Yunan Liansu Machinery Co., Ltd. (廣東郁南聯塑機器有限公司))	Manufacture and sale of valves	100% (this company was disposed of by us to Star Excel on 17 June 2008)
Guizhou Ruihua Plastics Co., Ltd. (貴州瑞華塑膠有限公司)	Manufacture and sale of plastic pipes under "Ruihua" brand	This company was deregistered on 15 September 2009.[1] Prior to its deregistration, it was wholly-owned by Mr. Wong.
Jiangmen Liansu Facilities Co., Ltd. (江門市聯塑市政設施有限公司) (formerly known as Jiangmen Liansu Soft Hoses Co., Ltd. (江門市聯塑軟管有限公司))	Prior to 25 November 2009: Manufacture and sale of soft hoses. As from 25 November 2009: Manufacture and sale of municipal facilities comprising various well covers	100%
Foshan Shunde Haoyin Plastic Products Co., Ltd (佛山市順德區豪殷塑料製品有限公司)	No business has been conducted by this company since its incorporation	100%
Guangdong Liansu Plumbing	Manufacture and sale of fire fighting valve and plumbing accessories	100%

Name of entity	Principal business	Interest held by Mr. Wong directly or indirectly
Foshan Haojie	No actual operation	This company was disposed of by Star Excel to an Independent Third Party on 30 December 2009.
Surplus Win Group Limited (盈勝集團有限公司)	Investment holding	This company was disposed of by Mr. Wong to Mr. Zuo Manlun, Ms. Zuo Xiaoping, Ms. Zuo Xiaoying and an Independent Third Party on 4 December 2009.
Yunan Yan Sing Real Estate Development Co., Ltd. (郁南盈信房產開發有限公司)	Property development	This company was indirectly owned by Surplus Win Group Limited, which was disposed of by Mr. Wong to Mr. Zuo Manlun, Ms. Zuo Xiaoping, Ms. Zuo Xiaoying and an Independent Third Party on 4 December 2009.
Somso Estate Wines & Vintners International Corporation	Investment holding	This company was disposed of by Mr. Wong to Mr. Zuo Manlun and an Independent Third Party on 31 August 2009. Prior to the disposal, this company was owned as to 35% by Mr. Wong.
Top Jump Holdings Limited	Investment holding	100%
Star Excel	Investment holding	100%
Yan Sing Fu Sing Real Estate Holdings Co., Ltd. (盈信富星地產集團有限公司) (“Yan Sing Fu Sing”)	Investment holding	This company was owned by Surplus Win Group Limited, which was disposed of by Mr. Wong to Mr. Zuo Manlun, Ms. Zuo Xiaoping, Ms. Zuo Xiaoying and an Independent Third Party on 4 December 2009.
Yingxin Real Estate	Property development	This company was indirectly owned by Surplus Win Group Limited, which was disposed of by Mr. Wong to Mr. Zuo Manlun, Ms. Zuo Xiaoping, Ms. Zuo Xiaoying and an Independent Third Party on 4 December 2009.

Name of entity	Principal business	Interest held by Mr. Wong directly or indirectly
Yunan County Liansu Machinery Co., Ltd. (郁南縣聯塑機器有限公司)	Manufacture and sale of machinery for extrusion equipment, mixer equipment and plastic moulds	This company was deregistered on 12 November 2008.[1] Prior to its deregistration, Mr. Wong owned a 60% equity interest in this company.

Note:

1. Mr. Wong confirmed that the deregistration of these companies has not resulted in any liability or obligation imposed against him and/or any our Directors or senior management.

In addition to the subsidiaries disposed to the Controlling Shareholder as mentioned above, during the Track Record Period, the Group also disposed of its 90% equity interest in Foshan Fuxing Real Estate Development Co., Ltd. ("Foshan Fuxing") to Foshan Shunde Foao Group Co., Ltd. (佛山市順德佛奧集團有限公司), an Independent Third Party, on 23 November 2007, and its 51.05% equity interest in Foshan EI TI Plastic Chemical Co., Ltd. (佛山市依達塑膠化工有限公司) ("Foshan EI TI") to Foshan Xingzhan Investment Co., Ltd. (佛山市星展投資有限公司), an Independent Third Party, on 5 June 2008. Foshan Fuxing's principal business is property development and Foshan EI TI is principally engaged in the trading of plastic polymers. See notes 11 and 30 to section II of the accountants' report set out in Appendix I to this prospectus for the results and net assets of the subsidiaries disposed of by the Group during the Track Record Period. The Group disposed of these companies because management of the Company took the view that the operations of these companies did not complement those of the Group and might distract management's attention to developing the Group's core business and operations of producing plastic pipes and pipe fittings.

As described above, none of the entities outside the Group controlled by the Controlling Shareholder, nor any of the subsidiaries the Group disposed of during the Track Record Period is, as of the Latest Practicable Date, engaged in the manufacture of plastic pipes and pipe fittings. Accordingly, none of these entities competes with the Group's business.

Independence from the Controlling Shareholder

Having considered the matters described above and the following factors, we believe that our Group is capable of carrying on its business independent of the Controlling Shareholder and its associates after the Global Offering.

Management Independence

Our Board comprises nine executive Directors, one non-executive Director and three independent non-executive Directors. One directorship is held by Mr. Wong, our Controlling Shareholder. Other than Mr. Wong who is also a director of Guangdong Liansu Machinery, Guangdong Liansu Electric and Guangdong Liansu Plumbing, and Mr. Zuo Manlun who is also a director of Guangdong Liansu Machinery and Guangdong Liansu Plumbing, no other Director or members of senior management of the Group has any role in any company outside the Group held by the

Controlling Shareholder. Mr. Wong and Mr. Zuo are not involved in the day-to-day operations of the above companies and their roles and responsibilities there are mainly to attend to occasional major decisions and other matters which require approval of the board of directors. As only a very small portion of Mr. Wong and Mr. Zuo's time is spent on duties in relation to the above companies, the Directors are of the view that their directorships there will not affect Mr. Wong and Mr. Zuo's discharge of their duties to the Group. Mr. Wong and Mr. Zuo have confirmed that they will ensure sufficient time is spent on the Group in order to fulfill their duties towards the Group and the Shareholders. In addition, in the event of any potential conflict of interest, Mr. Wong and Mr. Zuo shall abstain from voting at the relevant board meetings of the Company in respect of the relevant matters and shall not be counted in the quorum.

Each of our Directors is aware of his fiduciary duties as a Director which require, among other things, that he acts for the benefit and in the best interests of our Company and does not allow any conflict between his duties as a Director and his personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum. In addition, we have an independent senior management team to carry out the business decisions of our Group independently. Our Directors are satisfied that our senior management team is able to perform their roles in our Company independently, and our Directors are of the view that we are capable of managing our business independent from the Controlling Shareholder after the Global Offering.

Operational Independence

We have established our own organizational structure comprised of individual departments, each with specific areas of responsibilities. Our Group has independent access to sources of raw materials for production as well as customers. We have also established various internal control procedures to facilitate the effective operation of our business. Other than the transactions described in the paragraph headed "Continuing Connected Transactions" in this section, our Group has not entered into any other transactions with our connected persons and their associates which will continue after the Listing.

Our Directors are of the view that our operational independence will not be affected by the continuing connected transactions for the following reasons:

- *The GLM Lease and the GLE Lease* — As these are leases from us to these parties of properties which we do not use for our own operations, such leases do not affect our operations. Further, such leases will expire on 31 December 2010 and will not be renewed by us.

- *The Wong Leases* — The Wong Properties are used by us as office space, cafeteria space, workshops and warehouses, they are small in size and are not used by us as our production facilities. As we have been leasing these properties from Mr. Wong historically, the Directors are of the view that it is in the interest of the Group in terms of cost, time and stability to continue such leases instead of purchasing such properties or finding and relocating to alternative properties, although alternative properties are available if necessary. We do not rely on such leases for our operations.

- *The TM Agreements and the Patent Agreements* — As these are licenses from us of trademarks and patents in classes which we do not use for our own operations and we are not prevented from using them under the licenses, such licenses do not affect our operations.

- *The Agency Agreements* — The Agency Agreements are entered into to facilitate various trademark and patent related matters. As Yuegao has been dealing with such matters for us historically and is familiar with our numerous trademarks and patents, the Directors are of the view that it is in the interest of Group to continue the engagement of Yuegao for convenience and efficiency, although we may terminate such engagement at any time and engage an Independent Third Party if necessary. We do not rely on Yuegao's services for our operations.

- *Equipment purchase agreement with Guangdong Liansu Machinery* — We purchase equipment from Guangdong Liansu Machinery because Guangdong Liansu Machinery is familiar with our requirements and is a reliable source of high quality equipment at reasonable prices. Accordingly, we believe it is in the interest of the Group to continue to purchase equipment from Guangdong Liansu Machinery. As we are not under any obligation to purchase only from Guangdong Liansu Machinery under the agreement and there is no minimum purchase requirement, we can at any time purchase the required equipment from Independent Third Parties if it is in the interest of the Group in terms of price and quality. We have independent access to all the suppliers we need for our operations. The equipment purchase agreement does not affect our operational independence.

- *The Utilities Agreement* — As the amounts payable under the Utilities Agreement represent reimbursement of the utilities costs paid by us on behalf of the Lessees, such arrangement does not affect our operations.

Financial Independence

We have an independent financial system and make financial decisions according to our own business needs. We also have our own treasury function and independent access to third party financing. We have not encountered any material difficulties in securing bank borrowing during the Track Record Period and as of the Latest Practicable Date. Our Directors confirmed that all financial assistance, including amounts due to, loans or guarantees provided by the Controlling Shareholder and its associates to our Group were or will be repaid or released or capitalized or otherwise settled in full before our Listing. Our historical amounts due to Directors and related parties during the Track Record Period comprised mainly borrowings to fund our expansion. The reason the Directors and related parties provided loans to us was that the Directors generally charged no interest, which helped us to reduce our finance costs. Such loans are used by us as long-term capital and some of them will be capitalized before our Listing. For details of such amounts, please refer to note 36 to section II of the accountants' report set out in Appendix I to this prospectus. Therefore, there is no financial dependence on the Controlling Shareholder.

Deed of non-competition

Our Controlling Shareholder has entered into a deed of non-competition in favour of our Company, pursuant to which our Controlling Shareholder has undertaken to our Company (for itself and for the benefit of its subsidiaries) that it would not and would procure that its associates (except for any member of our Group) would not, during the period that the deed of non-competition remains effective, directly or indirectly, either on its own account or in conjunction with or on behalf of any person, firm or company, among other things, carry on, participate or be interested or engaged in or acquire or hold (in each case whether as a shareholder, partner, agent, employee or otherwise) any business which is or may be in competition with the business of any member of our Group from time to time (the "Restricted Business").

The above undertaking does not apply to:

(a) the holding by our Controlling Shareholder of interests in the shares of a company other than our Group which are listed on a recognized stock exchange provided that:

  (i) any Restricted Business conducted or engaged in by such company (and assets relating thereto) accounts for less than 5% of that company's consolidated turnover or consolidated assets, as shown in that company's latest audited accounts; or

  (ii) the total number of the shares held by our Controlling Shareholder and/or its associates in aggregate does not exceed 5% of the issued shares of that class of the company in question and our Controlling Shareholder and/or its associates are not entitled to appoint a majority of the directors of that company and there exists at least another shareholder of that company whose shareholding in that company is more than the shareholding of our Controlling Shareholder and its associates in aggregate.

(b) any opportunity to invest, participate, be engaged in and/or operate any Restricted Business has first been offered or made available by our Controlling Shareholder and/or its associates to us, and after decision by our independent non-executive Directors and approval by our Board of Directors and/or Shareholders as required under the relevant laws and regulations (including but not limited to the Listing Rules) and in accordance with our Articles of Association, we have declined in writing such opportunity to invest, participate, be engaged in or operate the Restricted Business, and that the principal terms by which our Controlling Shareholder (or its associates) subsequently invests, participates, engages in or operates the Restricted Business are no more favourable than those offered to us.

The above restrictions would cease to have effect upon the earlier of: (i) the Shares of our Company ceasing to be listed on the Stock Exchange; (ii) our Controlling Shareholder and its associates ceasing to hold any equity interest in our Company; and (iii) our Controlling Shareholder and/or its associates jointly or severally ceasing to be entitled to exercise or control the exercise of 30% or more in aggregate of the voting power at general meetings of our Company.

Our Controlling Shareholder has also undertaken to provide an annual confirmation to the Company confirming that it and its associates have not breached the terms of the non-competition undertaking and to provide all information necessary for the annual review by the independent non-executive Directors (if they so require) for the enforcement of the deed of non-competition.

The following measures will be adopted by our Company in respect of the enforceability of the deed of non-competition:

(i) the independent non-executive Directors will review, on a semi-annual basis, the compliance of the deed of non-competition, including any potential conflicts of interest and competition arising from the taking up by the Controlling Shareholder of opportunities rejected by the Group pursuant to the deed of non-competition;

(ii) in the event that any event of potential competition or conflict of interests arising from the businesses of or transactions with the Controlling Shareholder and its associates is discovered, the Board will hold a management meeting to review and evaluate the implications and risk exposures of such event and the compliance of the Listing Rules in order to monitor any irregular business activities and take any precautious actions, including the enforcement of the deed of non-competition, if necessary; and

(iii) the Company will disclose decisions on matters reviewed by the independent non-executive Directors relating to compliance and enforcement of the deed of non-competition in interim and annual reports of the Company.

The Directors are of the view that the Group's measures are adequate to safeguard the effectiveness of the non-competition undertakings.

Further, any transaction that is proposed between the Group and the Controlling Shareholder and its associates will be required to comply with the requirements of the Listing Rules, including, where applicable, the announcement, reporting and independent Shareholders' approval requirements.

DIRECTORS

Executive Directors

Mr. Wong Luen Hei (黃聯禧), aged 48, is the founder of our Group, the Chairman of the Company and was appointed as an executive Director of the Company on 5 November 2009. He is primarily responsible for the Group's overall strategic planning and business management. Mr. Wong has approximately 13 years of experience in plastic pipe operations and management. He served as the chairman in Shunde Liansu Industrial from December 1996 to April 1999 and was awarded "Outstanding Private Entrepreneur of Shunde" (順德優秀民營企業家) by Shunde People's Government of Foshan (佛山市順德區人民政府) in 2003. Mr. Wong has been a member of Shunde District, Foshan City Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議佛山市順德區委員會) since 2003 and a vice president of Foshan Shunde Longjiang Chamber of Commerce (佛山市順德區龍江商會) since 2006. Mr. Wong is the spouse of Ms. Zuo Xiaoping.

Mr. Zuo Manlun (左滿倫), aged 37, is the Chief Executive Officer of the Group and was appointed as an executive Director of the Company on 27 February 2010. He is primarily responsible for the overall management of the daily business operations and sales of our Group. Mr. Zuo has approximately 10 years of experience in the plastic pipe industry. Mr. Zuo joined our Group in December 1999 and has held various positions in operation management since joining us. Mr. Zuo won several awards including "Outstanding Worker of the Plastic Industry in the PRC" (中國塑料行業先進工作者) by China Plastics Processing Industry Association (中國塑料加工工業協會) in 2009. Mr. Zuo is the brother-in-law of Mr. Wong and the younger brother of Ms. Zuo Xiaoping and Ms. Zuo Xiaoying.

Ms. Zuo Xiaoping (左笑萍), aged 43, is a Vice President of the Group and was appointed as an executive Director of the Company on 27 February 2010. She is primarily responsible for procurement control and logistics management of the Group. Ms. Zuo has approximately 13 years of experience in the plastic pipe industry. Ms. Zuo served as a director of Shunde Liansu Industrial from December 1996. In 1999, upon establishing our Group together with Mr. Wong Luen Hei, she held various positions in procurement. Ms. Zuo is the spouse of Mr. Wong and the elder sister of Mr. Zuo Manlun and Ms. Zuo Xiaoying.

Mr. Lai Zhiqiang (賴志强), aged 44, is a Vice President of the Group and was appointed as an executive Director of the Company on 27 February 2010. He is primarily responsible for the production and technical management of the Group. Mr. Lai has approximately 13 years of experience in the plastic pipe industry and served as a workshop manager of Shunde Liansu Industrial from December 1996 to November 1999. Mr. Lai joined our Group in December 1999 and has held various positions in production management since joining us.

Mr. Kong Zhaocong (孔兆聰), aged 44, is a Vice President of the Group and was appointed as an executive Director of the Company on 27 February 2010. Mr. Kong is primarily responsible for the sales (excluding southern China) of the Group and has approximately 16 years of experience in the plastic pipe industry. Mr. Kong joined our Group in December 1999 and has held various positions in production management and sales since joining us. Prior to joining our Group, Mr. Kong served as a factory manager at Foshan City Dongjian Plastic Materials Factory (佛山市東建塑料廠) from March 1993 to January 1999 and served as a manager in the production department of Shunde Liansu Industrial from January 1999 to November 1999.

Mr. Chen Guonan (陳國南), aged 42, is a Vice President of the Group and was appointed as an executive Director of the Company on 27 February 2010. He is primarily responsible for the management of the quality control of the Group. Mr. Chen has approximately 20 years of experience in the plastic pipe industry. Mr. Chen joined our Group in December 1999 and has held various positions in production management and engineering since joining us. Prior to joining our Group, Mr. Chen was a manufacturing engineer in the technology department at Guangdong Province Zhaoqing Gaojiang Plastic Products Co., Limited (廣東省肇慶高江塑料製品有限公司) from July 1989 to July 1993. From July 1993 to September 1999, he was a deputy factory manager at Foshan City Dongjian Plastic Materials Factory (佛山市東建塑料廠). Mr. Chen served as a production manager of Shunde Liansu Industrial from September 1999 to November 1999. Mr. Chen has been a deputy secretary general of Plastic Pipe Special Committee of China Plastics Processing Industry Association (中國塑料加工工業協會塑料管道專業委員會) since 2005. Mr. Chen obtained a bachelor's degree in polymer chemical from South China University of Technology (華南理工大學) in July 1989.

Mr. Lin Shaoquan (林少全), aged 34, is a Vice President of the Group and was appointed as an executive Director of the Company on 27 February 2010. Mr. Lin is primarily responsible for the research and development and overseas sales of the Group. Mr. Lin has approximately 7 years of experience in the plastic pipe industry. Mr. Lin joined our Group in July 2002 and has held various positions in research and development and overseas sales since joining us. Mr. Lin is currently a committee member of Plastic Pipelines and Accessories & Valves Division of China Plastic Products and Standardized Technologies Committee (全國塑料製品標準化技術委員會塑料管材、管件及閥門分技術委員會) and, over the years, has won various awards including "National May First Labor Medal" (全國五一勞動獎章) by All China Federation of Trade Unions (中華全國總工會) in 2006. Mr. Lin received a doctorate degree in polymer chemical and physics from Sun Yat-sen University (中山大學) in June 2002.

Mr. Huang Guirong (黃貴榮), aged 34, is a Vice President of the Group and was appointed as an executive Director of the Company on 27 February 2010. Mr. Huang is primarily responsible for the overall management of the factories and production facilities of the Group and has approximately 13 years of experience in the plastic pipe industry. Mr. Huang joined our Group in December 1999 and has held various positions in production management since joining us. Prior to joining our Group, Mr. Huang served as a deputy factory manager at Foshan City Dongjian Plastic Materials Factory (佛山市東建塑料廠) from 1996 until 1999 and served as a deputy manager of the plastic production department of Shunde Liansu Industrial from June 1999 to November 1999. Mr. Huang completed a program of marketing from Hubei University of Technology (湖北工業大學) from September 2001 to July 2005.

Mr. Luo Jianfeng (羅建峰), aged 38, was appointed as an executive Director of the Company on 2 April 2010. Mr. Luo has approximately 16 years of experience in accounting and worked at Shunde City Accounting Firm (順德市會計師事務所) from July 1993 to March 1996, Guangdong Dezheng Accounting Firm with Limited Liability (廣東德正有限責任會計師事務所) from April 1996 to December 2001 and Guangdong Gongcheng Accounting Firm (廣東公誠會計師事務所) from

January 2002 to December 2007. Since January 2008, Mr. Luo has been working for Foshan City Zhongzhengcheng Accounting Firm Co., Limited (佛山市中正誠會計師事務所有限公司) as a certified public accountant. Mr. Luo is a member of The Chinese Institute of Certified Public Accountants (中國註冊會計師協會) and is currently an independent director of Winowner Group Co., Ltd. (萬鴻集團股份有限公司) (stock code: 600681), which is listed on the Shanghai Stock Exchange. Mr. Luo obtained a bachelor's degree in economics from Guangdong University of Business Studies (廣東商學院) in June 1993.

Non-executive Director

Mr. Lin Dewei (林德緯), aged 50, was appointed as a non-executive Director of our Company on 27 February 2010. Mr. Lin has approximately 15 years of experience in the legal field and worked as a part-time lawyer at various PRC law firms between 1995 and 2001. Since 2001, Mr. Lin has been practising as a lawyer at Guangdong Everwin Law Office (廣東法制盛邦律師事務所). He became a partner at the firm in 2004. Mr. Lin was an arbitrator of the Guangzhou City Arbitration Commission (廣州仲裁委員會) in 2003.

Mr. Lin Dewei is currently a director of Yuegao Patent and is a shareholder of Yuegao. As disclosed in the section headed "Connected Transactions and Relationship with the Controlling Shareholder", we have entered into various agency agreements with Yuegao for it to carry out trademark registrations, patent applications and other related matters. Therefore, Mr. Lin is not independent from the Group. The reasons for his appointment as a non-executive Director are due to his professional qualifications and knowledge of PRC laws, as well as his practical experience in the legal field. Apart from being a non-executive Director of the Company, Mr. Lin is also a member of the audit committee.

Independent non-executive Directors

Mr. Bai Chongen (白重恩), aged 46, was appointed as an independent non-executive Director of the Company on 27 February 2010. Mr. Bai is currently a Freeman professor of economics, an associate dean and the department head of economics in the School of Economics and Management of Tsinghua University (清華大學經濟管理學院). Mr. Bai is a director of the National Institute for Fiscal Studies at Tsinghua University (清華大學中國財政稅收研究所). Mr. Bai serves as an independent non-executive director of China CITIC Bank Corporation Limited (stock code: 998), which is listed on the Stock Exchange, and an independent director of China-Singapore Suzhou Industrial Park Development Co., Ltd. (中新蘇州工業園區開發股份有限公司) and New China Trust Co., Ltd. (新華信託股份有限公司) Mr. Bai obtained a doctorate degree in mathematics from the University of California, San Diego in September 1988 and a doctorate degree in economics from Harvard University, US in June 1993.

Mr. Fung Pui Cheung (馮培漳), aged 61, was appointed as an independent non-executive Director of the Company on 27 February 2010. Mr. Fung is currently practising as a sole proprietor in the name of P C Fung & Company (馮培漳會計師事務所), a certified public accountants firm, and is a director in Pan-China (H.K.) CPA Limited (天健(香港)會計師事務所有限公司) (formally known as NCN CPA Limited (德誠會計師事務所有限公司)). Mr. Fung is a member of the Hong Kong Institute of Certified Public Accountants (admitted in April 1980). Mr. Fung is currently an independent non-executive director and a member of the audit committee of Vantage International (Holdings) Limited (stock code: 15) and an independent non-executive director, a member of the audit committee and a member of the remuneration committee of CY Foundation Group Limited (stock code: 1182), both of which are companies listed on the Stock Exchange. Mr. Fung is also a director of Bank of China Group Insurance Company Limited as well as BOC Group Life Assurance Company Limited. He is a member of the Financial Reporting Review Panel and a director of The Hong Kong Chinese Importers' and Exporters' Association. Given that most of Mr. Fung's directorships or positions with other companies or association are not full-time in nature, and Mr. Fung will not be involved in the day-to-day operation and management of the Company, he has confirmed that he would be able to allocate sufficient time to discharge his duties and responsibilities to the Company. Mr. Fung received a master's degree in arts from Antioch University, US in March 1987.

Mr. Wong Kwok Ho Jonathan (王國豪), aged 37, was appointed as an independent non-executive Director of the Company on 27 February 2010. Since 2002, Mr. Wong has been practising as a barrister of the High Court in Hong Kong specializing in both civil and criminal litigation. Mr. Wong is a member of The Chartered Institute of Arbitrators. Mr. Wong obtained a bachelor's degree in business administration from Hawaii Pacific University in August 1997 and a bachelor's degree in law from City University of Hong Kong in November 2001. Mr. Wong received a Postgraduate Certificate in laws from City University of Hong Kong in July 2002.

Save as disclosed in this prospectus, each of our Directors has confirmed that there is no other information in relation to his or her appointment which is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

Pursuant to the service contracts, each of the Directors is expected to receive a basic salary ranging from approximately RMB0.3 million to RMB0.6 million for the year ending 31 December 2010. For further details on Directors' remuneration, please refer to "Appendix VI — Statutory and General Information — Further Information about Directors and Shareholders" and note 9 to section II of the accountants' report set forth in Appendix I to this prospectus. See also "Appendix VI — Statutory and General Information — Other Information — Pre-IPO Option Scheme" and "Appendix VI — Statutory and General Information — Other Information — Share Option Scheme" for information regarding option grants to directors and officers.

SENIOR MANAGEMENT

Ms. Zuo Xiaoying (左笑英), aged 39, is our Vice President and is primarily responsible for financial affairs and capital planning. Ms. Zuo joined our Group in December 1999 and has held various positions in the finance department since joining us. Ms. Zuo graduated from Shunde Normal School in Guangdong Province (廣東省順德師範學校) in July 1989 and obtained the Certificate for Industrial Accounting Profession (工業會計專業結業證書) from Shunde Labor Bureau (順德縣勞動局) in May 1992. Ms. Zuo is the sister-in-law of Mr. Wong and the younger sister of Ms. Zuo Xiaoping and the elder sister of Mr. Zuo Manlun.

Mr. Ong Chi King (王子敬), aged 36, is ordinarily a resident in Hong Kong and is our Joint Company Secretary. Mr. Ong is responsible for our Group's company secretarial matters. Mr. Ong has more than 14 years of experience in accounting, finance and company secretarial fields. Prior to joining our Group in November 2009, Mr. Ong worked in the assurance and advisory business services department of Ernst & Young, one of the big four international accounting firms, from August 1995 to October 1999 and held senior positions in finance and company secretarial departments in various companies listed on the Stock Exchange. Mr. Ong was an executive director of Deson Development International Holdings Limited (stock code: 262), which is listed on the Stock Exchange, from March 2005 to June 2008. Mr. Ong is currently the company secretary of Yue Da Mining Holdings Limited (stock code: 629), which is listed on the main board of the Stock Exchange, since November 2008. Mr. Ong was admitted as a member of the Hong Kong Institute of Certified Public Accountants in December 1998 and a fellow member of the Association of Chartered Certified Accountants in September 2003. Mr. Ong received a bachelor's degree in business administration from The Hong Kong University of Science and Technology in November 1995 and a master's degree in corporate finance from The Hong Kong Polytechnic University in November 2004.

Mr. Liu Guanggen (劉廣根), aged 29, is our Chief Finance Officer and is responsible for our Group's overall financial and accounting affairs. Mr. Liu joined our Group in November 2008. Prior to this, he worked as a finance manager in The Industrial and Commercial Bank of China, Shunde Branch (中國工商銀行股份有限公司順德支行) from 2004 to 2006, and was a sub-branch manager of The Industrial and Commercial Bank of China, Foshan Shunde Haiqinwan Sub-Branch (中國工商銀行股份有限公司佛山順德海琴灣支行) from 2007 to 2008. Mr. Liu completed a diploma in finance from Southwestern University of Finance and Economics (西南財經大學) in September 2005 as well as a program in laws at Guangdong University of Business Studies (廣東商學院) from March 2007 to January 2010.

Mr. Yang Jiyue (楊繼躍), aged 50, is our Chief Technical Officer and is primarily responsible for the research and development of new products and technology. Mr. Yang has approximately 21 years of experience in the plastic and hardware industry. Mr. Yang joined our Group in October 2007 and has held various positions in engineering since joining us. Mr. Yang served as a manager of the engineering department at Yurisheng Electronic (Shenzhen) Co., Ltd. (煜日升電子(深圳)有限公司) from 1999 to 2004. Mr. Yang was a deputy manager of the manufacturing department, a deputy manager of the production department and a deputy factory director of Shenzhen Mason Electronics Co., Ltd. (深圳麥遜電子有限公司) from 2005 to 2006. Mr. Yang completed a program in "Design and Manufacture of Mold" at Rhythm Machinery Corporation (リズム工機株式會社) in Japan from May 1993 to April 1994.

Ms. Tan Aiqiu (譚愛球), aged 38, is our Chief Officer of the Internal Audit Department and is primarily responsible for the Group's internal audit. Ms. Tan has approximately 13 years of experience in finance and accounting. Ms. Tan worked in the financial department of Shunde Liansu Industrial from December 1996 to November 1999. After joining our Group in December 1999, Ms. Tan was responsible for the Group's financial matters. Ms. Tan completed a program of "Computerized Accounting" from Hunan Institute of Science and Technology (湖南理工學院) from March 2007 to July 2009.

Mr. Pan Guohua (潘國華), aged 41, is our Chief Officer of the Administration Department and is primarily responsible for the management of our human resources department. Mr. Pan has approximately 22 years of experience in sales, marketing and administration. Mr. Pan joined our Group in March 2007 and has held various positions in sales and administration. Prior to joining our

Group, Mr. Pan was the deputy manager of the overseas department and a deputy general manager at Shunde Longjiang Dingheng Group (順德龍江定恒集團) from 1991 to 2001. Mr. Pan was a general manager of Shunde Eternal Home Appliance Industrial Co., Ltd. (順德億龍家庭電器實業有限公司) from 2002 to 2006 and an assistant to the president of Eternal (Guangdong) Electric Holding Ltd. (廣東億龍電器股份有限公司) from 2005 to 2006.

Mr. Lin Zhuangqun (林壯群), aged 36, is our Chief Officer of the Planning Department and is primarily responsible for brand promotion and marketing. Mr. Lin has approximately 13 years of experience in the field of marketing. Mr. Lin joined our Group in December 1999 and has served in the planning department since joining our Group. Mr. Lin obtained the qualifications of Schemer (策劃師) from China Scheming Research Institute in August 2003 and PRC Registered Schemer (中國註冊策劃師) from China Distance Education & Career Certification Center (中國遠程教育職業培訓認證中心) in May 2004. Mr. Lin completed a diploma in public relations and advertising from Jinan University (暨南大學) in June 1996.

Ms. Li Fengxi (李鳳喜), aged 46, is our Chief Officer of the Customer Service Department and is responsible for the management and operation of the Group's customer service department. Ms. Li joined our Group in December 1999 and has held various positions in the production department and customer service department.

Mr. Yuan Shuixian (袁水先), aged 30, is our Joint Company Secretary. Since he joined the Group in August 2005, Mr. Yuan has acted as secretary to the chairman of the Board. Prior joining to the Group, Mr. Yuan was a teacher in Heshun High School located at Nanhai District, Foshan City, Guangdong Province (廣東省佛山市南海區和順高中) from July 2002 to July 2005. He graduated from South China Normal University (華南師範大學) with a bachelor's degree in literature (specialized in English) in July 2002.

COMPANY SECRETARIES

Pursuant to Rule 8.17 of the Listing Rules, the secretary of our Company must be a person who is ordinarily resident in Hong Kong and who has the requisite knowledge and experience to discharge the functions of the company secretary and who is either (a) an Ordinary Member of The Hong Kong Institute of Company Secretaries, a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong) or a professional accountant, or (b) an individual who, by virtue of his academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging those functions.

We have appointed Mr. Ong Chi King and Mr. Yuan Shuixian as joint company secretaries. Mr. Ong is a member of the Hong Kong Institute of Certified Public Accountants and therefore meets the qualification requirements under Rule 8.17 of the Listing Rules. Please refer to the paragraph headed "Senior management" in this section for their biographical details.

We believe that Mr. Yuan, by virtue of (i) his knowledge and experience in handling corporate administrative matters and internal control management acquired since he joined the Group, (ii) his active involvement in the preparation for the Listing and (iii) his attendance at trainings, should be capable of discharging his functions as a company secretary. Further, Mr. Ong has been retained by us to provide assistance to Mr. Yuan so as to duly discharge the functions of a company secretary and gain the relevant experience as required under Rule 8.17 of the Listing Rules. If necessary, we will arrange for Mr. Yuan to attend professional training courses such as those offered by The Hong Kong Institute of Chartered Secretaries and the Stock Exchange so as to strengthen his knowledge in respect of his duties and responsibilities as a company secretary. We understand that the compliance adviser will also from time to time provide guidance and advice to Mr. Yuan to assist him in carrying out his duties as required under the Listing Rules after the Listing. Accordingly, since Mr. Yuan does not possess the formal qualifications required of a company secretary under Rule 8.17 of the Listing Rules, we have sought and obtained from the Stock Exchange a waiver from strict compliance with the requirements under Rule 8.17 of the Listing Rules such that Mr. Yuan may be appointed as our joint company secretary. The waiver was granted for a three-year period during which Mr. Ong, as joint company secretary, will work closely with, and provide assistance to Mr. Yuan in the discharge of his duties as a company secretary. At the end of the three-year period, an evaluation of the qualifications and experience of Mr. Yuan would be made, and we will liaise with the Stock Exchange, to determine if the requirements under Rule 8.17 of the Listing Rules as would normally apply would then be satisfied.

BOARD COMMITTEES

Audit committee

Our Company established an audit committee on 14 May 2010 with written terms of reference in compliance with the Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control systems of our Group.

The audit committee comprises Mr. Fung Pui Cheung, Mr. Wong Kwok Ho Jonathan and Mr. Lin Dewei. Mr. Fung Pui Cheung is the chairman of the audit committee.

Remuneration committee

Our Company established a remuneration committee on 14 May 2010 with written terms of reference in compliance with the code provisions of the Code of Corporate Governance Practices set out in Appendix 14 to the Listing Rules. The functions of this committee include the formulation and the recommendation to the Board on our Company's policy and structures for all remuneration of our Directors and senior management of our Company, the establishment of a formal and transparent procedure for developing policy on remuneration, the determination of specific remuneration packages of all executive Directors and senior management in the manner specified in the terms of reference, the recommendation to the Board of the remuneration of non-executive Directors, review and approval of performance-based remuneration, and review and recommendation to our Shareholders as to the fairness and reasonableness of the terms of any Director's service agreement which is subject to the prior approval of our Shareholders in general meeting pursuant to the Listing Rules.

The remuneration committee comprises Mr. Wong Luen Hei, Mr. Zuo Manlun, Mr. Fung Pui Cheung, Mr. Bai Chongen and Mr. Wong Kwok Ho Jonathan. Mr. Wong Luen Hei is the chairman of the remuneration committee.

Nomination committee

Our Company established a nomination committee on 14 May 2010. The primary functions of the nomination committee are to make recommendations to the Board regarding candidates to fill vacancies on the Board. The nomination committee comprises Mr. Wong Luen Hei, Mr. Zuo Manlun, Mr. Fung Pui Cheung, Mr. Bai Chongen and Mr. Wong Kwok Ho Jonathan. Mr. Wong Luen Hei is the chairman of the nomination committee.

Compliance adviser

Our Company expects to appoint Guotai Junan Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise our Company in the following circumstances:

(i) before the publication of any regulatory announcement, circular or financial report;

(ii) where a transaction, which might be of a notifiable or connected transaction, is contemplated including but not limited to share issues and share repurchase;

(iii) where our Company proposes to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where the business activities, developments or results of operation of our Group deviate from any forecast, estimate, or other information in this prospectus; and

(iv) where the Stock Exchange makes an enquiry of our Company regarding unusual movements in the price or trading volume of the Shares.

The term of the appointment will commence on the Listing Date and end on the date on which our Company complies with Rule 13.46 of the Listing Rules, in respect of its financial results for the first full financial year commencing after the Listing Date, and such appointment may be subject to extension by mutual agreement.

SUBSTANTIAL SHAREHOLDERS

So far as is known to our Directors, immediately following completion of the Global Offering and the Capitalization Issue (without taking into account any Shares which may be allotted and issued upon the exercise of the Over-allotment Option, any options granted under the Pre-IPO Share Option Scheme and any options which may be granted under the Share Option Scheme), the following persons will have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

Name of shareholder	Capacity/nature of interest	Number of Shares	Approximate percentage of shareholding
New Fortune	Beneficial owner	2,250,000,000	75%
Mr. Wong[(1)]	Interest in controlled corporation	2,250,000,000	75%

(1) Mr. Wong is the sole shareholder of New Fortune.

Save as disclosed herein, our Directors are not aware of any persons who will, immediately following completion of the Global Offering and the Capitalization Issue (without taking into account any Shares which may be allotted and issued upon the exercise of the Over-allotment Option, any options granted under the Pre-IPO Share Option Scheme and any options which may be granted under the Share Option Scheme), have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

Authorized capital		HK$
20,000,000,000	Shares	1,000,000,000

Shares issued and to be issued, fully-paid or credited as fully-paid:

8,000,000	Shares in issue	400,000
2,242,000,000	Shares to be issued pursuant to the Capitalization Issue	112,100,000
750,000,000	Shares to be issued pursuant to the Global Offering	37,500,000
Total:		
3,000,000,000	Shares	150,000,000

Assumption

The above table assumes that the Global Offering becomes unconditional and does not take into account (a) any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or options which have been granted under the Pre-IPO Share Option Scheme or options which may be granted under the Share Option Scheme or (b) any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandates given to our Directors to allot and issue or repurchase Shares as referred below. If the Over-allotment Option is exercised in full, then 112,500,000 additional Shares will be issued, resulting in a total enlarged issued share capital of HK$155,625,000.

Ranking

The Offer Shares and the Shares that may be issued pursuant to the Over-allotment Option rank pari passu with all existing Shares in issue on the date of the allotment and issue of such shares, and in particular will be entitled to all dividends or other distributions declared, made or paid after the date of this prospectus.

Pre-IPO Share Option Scheme and Share Option Scheme

Our Company has adopted the Pre-IPO Share Option Scheme on 14 May 2010, under which options to subscribe in aggregate for 115,378,000 Shares (assuming an Offer Price of HK$2.60, being the low-end of the proposed Offer Price range, and subject to rounding to the nearest board lot) at a 30% discount to the final Offer Price were outstanding as of the date of this prospectus, representing approximately 3.70% of the issued share capital of the Company immediately after completion of the Global Offering and the Capitalization Issue as enlarged by the issue of Shares pursuant to the exercise of all options granted under the Pre-IPO Share Option Scheme in full, but without taking into account any Shares which may fall to be allotted and issued upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme. Details of the Pre-IPO Share Option Scheme and the options granted thereunder are set out in "Appendix VI — Statutory and General Information — Other Information — Pre-IPO Share Option Scheme".

Our Company has also conditionally adopted the Share Option Scheme on 14 May 2010. Under the Share Option Scheme, the eligible participants of the scheme, including directors, full-time employees of and advisers and consultants to our Company or our subsidiaries may be granted options which entitle them to subscribe for Shares, when aggregated with options granted under any other scheme, representing initially not more than 10% of the Shares in issue on the Listing Date. Further details of the rules of the Share Option Scheme are set out in "Appendix VI — Statutory and General Information — Other Information — Share Option Scheme".

General Mandate to Issue Shares

Our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with an aggregate nominal value of not more than the sum of:

(a) 20% of the aggregate nominal value of the share capital of our Company in issue, excluding the Shares which may be issued pursuant to the Over-allotment Option, immediately following completion of the Global Offering and the Capitalization Issue; and

(b) the aggregate nominal value of share capital of our Company repurchased by our Company, if any, under the general mandate to repurchase Shares referred to below.

The allotment and issue of Shares under a rights issue, scrip dividend scheme or similar arrangement in accordance with the Articles of association, or pursuant to the exercise of options which were granted under the Pre-IPO Share Option Scheme or which may be granted under the Share Option Scheme or under the Global Offering or the Capitalization Issue or upon the exercise of the Over-allotment Option do not generally require the approval of the Shareholders in general meeting and the aggregate nominal value of the Shares which our Directors are authorized to allot and issue under this mandate will not be reduced by the allotment and issue of such Shares.

This mandate will expire at the earliest of:

- the conclusion of our Company's next annual general meeting; or

- the expiration of the period within which our Company is required by law or its Articles of Association to hold its next annual general meeting; or

- when varied, revoked or renewed by an ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate, please refer to "Appendix VI — Statutory and General Information — Further Information about our Group — Written resolutions of the sole shareholder of the Company passed on 14 May 2010".

General Mandate to Repurchase Shares

Our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with an aggregate nominal value of not more than 10% of the aggregate nominal amount of the share capital of our Company in issue following the completion of the Global Offering and the Capitalization Issue (excluding Shares which may to be issued pursuant to the exercise of the Over-allotment Option).

This mandate only relates to repurchases made on the Stock Exchange, or any other stock exchange on which the Shares are listed (and which is recognized by the SFC and the Stock Exchange for this purpose), and which are made in accordance with all applicable laws and requirements of the Listing Rules. Further information required by the Stock Exchange to be included in this prospectus regarding the repurchase of Shares is set out in "Appendix VI — Statutory and General Information — Further Information about our Group — Repurchase of our Shares".

This mandate will expire at the earliest of:

- the conclusion of our Company's next annual general meeting; or
- the expiration of the period within which our Company is required by law or its Articles of Association to hold its next annual general meeting; or
- when varied, revoked or renewed by an ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate, please refer to "Appendix VI — Statutory and General Information — Further Information about our Group — Written resolutions of the sole shareholder of the Company passed on 14 May 2010".

Inspection of books and records

Our Shareholders will have no general right under the Companies Law to inspect or obtain copies of our register of members or corporate records. They will, however, have such rights as may be set out in the Articles of Association and we will provide our shareholders with annual audited financial statements.

Transfers of Shares

Our memorandum of association and the Articles do not restrict the general transferability of fully paid Shares.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of the Group's financial condition as of 31 December 2007, 2008 and 2009 and the Group's results of operations for each of the years ended 31 December 2007, 2008 and 2009, in conjunction with the consolidated financial information, including the accompanying notes thereto, set out in Appendix I to this prospectus. Our financial information has been prepared in accordance with HKFRS, which differ in certain significant respects from generally accepted principles in other jurisdictions, including the United States. The following discussion and analysis also contains forward-looking statements that involve risks and uncertainties. Actual results may differ materially from information contained in the forward-looking statements as a result of a number of factors, including, without limitation, the factors set forth in the section headed "Risk factors" in this prospectus.

OVERVIEW

We are a manufacturer of plastic pipes and pipe fittings in China. We currently have 11 operational production facilities for plastic pipes and pipe fittings that are strategically located across China. Through these facilities and our sales network which consists of 29 sales offices and over 600 independent distributors, we cover customers across China. Our plastic pipes and pipe fittings are used in a variety of piping systems, including those used for water supply, drainage, power supply and telecommunications, agriculture, gas supply, floor heating and fire-fighting.

We have a geographically-diverse network of production facilities in China. As of the Latest Practicable Date, we had 11 operational production facilities for plastic pipes and pipe fittings located in eight provinces across China. For the years ended 31 December 2007, 2008 and 2009, the effective annual production capacity of our production facilities was 298,100 tonnes, 426,000 tonnes and 661,800 tonnes of plastic pipes and pipe fittings, respectively. For the years ended 31 December 2007, 2008 and 2009, our production facilities for plastic pipes and pipe fittings achieved an average utilization rate of 86.1%, 87.6% and 87.5%, respectively, as calculated by actual production volume of such production facilities as of the end of the respective year divided by their effective annual production capacity.

We have expanded our production capacity throughout the Track Record Period to try to capture the growing demand for our products and increase our market share. We completed a major capacity expansion at our Guangdong facility in 2008. We commenced operations at our new facilities in Hebei and Henan in 2008 and in Sichuan and Nanjing in 2009. As of 31 December 2009, the design annual production capacity of our production facilities was approximately 905,700 tonnes of plastic pipes and pipe fittings. We are in the process of constructing two additional production facilities: (1) one in Urumqi, which is expected to become operational in the fourth quarter of 2010 with a design annual production capacity of approximately 12,000 tonnes and which we plan to increase to 22,000 tonnes and 34,000 tonnes by 2011 and 2012, respectively, and (2) another in Changchun, which is expected to become operational in the first quarter of 2011 with a design annual production capacity of approximately 33,300 tonnes and which we plan to increase to 66,300 tonnes by 2012. We also plan to expand our current operational production facilities and construct new production facilities in various regions in China in order to maintain our leading industry position and better meet the demands of both our existing customers and potential new customers. We plan to add design annual production capacity of approximately 245,000 tonnes, 370,000 tonnes and 330,000 tonnes in 2010, 2011 and 2012, respectively. See "Business — Production Facilities and Production Process — Production Facilities" for further details on our expansion plan.

We sell our products both directly to our customers (such as government entities, utility companies and real estate developers) and through independent distributors. As of the Latest Practicable Date, we had a nationwide sales network of over 600 independent distributors, which were supported by regional sales teams located at 29 sales offices across China.

Our plastic pipe products are sold under our Liansu brand. We believe that the Liansu brand has become a recognized brand name in China. In 2005, our Liansu brand was recognized as a "China Well-known Trademark" (中國馳名商標) by the Trademark Office of the State Administration for Industry and Commerce of the People's Republic of China (中華人民共和國國家工商行政管理總局商標局).

We have achieved significant revenue and earnings growth in recent years. For the years ended 31 December 2007, 2008 and 2009, we had revenue of RMB2,618.2 million, RMB3,618.5 million and RMB5,322.2 million, respectively, representing a CAGR of 42.6% from 2007 to 2009. Our net profit for the same periods was RMB81.5 million, RMB135.9 million and RMB644.0 million, respectively, representing a CAGR of 181.1% from 2007 to 2009.

BASIS OF PRESENTATION

Our Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands on 5 November 2009 under the Companies Law. Pursuant to the Reorganization, the Company became the holding company of the companies now comprising the Group on 11 November 2009. The consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the years ended 31 December 2007, 2008 and 2009, which include the results and cash flows of the companies now comprising our Group, have been prepared on the basis as if the current group structure had been in existence throughout the Track Record Period, or since their respective dates of acquisition, incorporation or establishment if shorter. The consolidated statements of financial position of our Group as of 31 December 2007, 2008 and 2009 have been prepared to present the state of affairs of our Group as if the current group structure had been in existence and in accordance with the respective equity interests and/or the power to exercise control over the individual companies attributable to the Company as of those dates.

During the Track Record Period, we acquired Zhongshan Walton and Foshan Liansu. In October 2009, we acquired Zhongshan Walton from Mr. Wong. Zhongshan Walton first came under the control of Mr. Wong in April 2008. As Mr. Wong controlled Zhongshan Walton both prior to and after its acquisition by us, our acquisition of Zhongshan Walton was regarded as a common control transaction and was accounted for using the principles of merger accounting as prescribed in Hong Kong

Accounting Guideline 5 "Merger Accounting for Common Control Combination" issued by the Hong Kong Institute of Certified Public Accountants. Accordingly, the financial statements of Zhongshan Walton were combined into the Group since April 2008. The revenue and profit contributions of Zhongshan Walton for the year ended 31 December 2008 and the year ended 31 December 2009 were as follows:

	Year ended 31 December			
	2008		2009	
	RMB'000	% of the Group's total	RMB'000	% of the Group's total
Revenue	92,896	2.6%	107,258	2.0%
Net profit	2,504	1.8%	5,278	0.8%

We acquired Foshan Liansu from an Independent Third Party in November 2009 and the financial statements of Foshan Liansu were consolidated with ours as from November 2009. As such, Foshan Liansu did not make any contribution to our revenue and profit for the two years ended 31 December 2007 and 2008. For the year ended 31 December 2009, Foshan Liansu contributed revenue and net profit of approximately RMB8,941,000 and RMB703,000 to the Group, representing 0.2% and 0.1% of the consolidated revenue and net profit of the Group for the year ended 31 December 2009, respectively.

FACTORS AFFECTING RESULTS OF OPERATIONS AND FINANCIAL CONDITION OF THE GROUP

The Group's financial condition and results of operations have been, and will continue to be, affected by a number of factors, including those set forth below.

Market and economic conditions

Sales of our products and our business development have been driven by the demand in the end-user markets in which our products are principally applied, namely the infrastructure and real estate development sectors. Generally, within the PRC, construction activities are cyclical and dependent upon many factors beyond our control, including general market conditions, the availability of credit to finance investment, development of housing prices, mortgage and other financing interest rates, unemployment, demographic trends, consumer confidence, public investment and spending on infrastructure projects. Construction activities are also impacted by governmental policies that have the effect of encouraging or discouraging residential housing or commercial construction, such as tax policies, policies that encourage labor mobility and migration, subsidies, and health and safety regulations that encourage or discourage use of certain materials and products.

Since Fall 2009, the PRC government has implemented a series of monetary, tax and land policy measures designed to help control what many perceive to be inflationary property prices. The PBOC increased the reserve requirement ratio for commercial banks by 50 basis points three times since the beginning of 2010 to a rate of 17.0% as of the Latest Practicable Date, negatively impacting the amount of commercial bank lending in China. In addition to these monetary measures, the PRC government has implemented increased down payment requirements on certain home purchases and new land use grants, business tax on transfers of non-ordinary residential properties held for five years or less, and other measures designed to control inflationary property prices. The level of investment in property construction in China may level off or decrease as a result of these or other measures which in turn may negatively impact the demand for plastic pipes and, hence, have a material adverse impact on our revenue and financial performance. See "Risk Factors — Risks Relating to Our Business — A substantial portion of our products are used in infrastructure and real estate construction; the PRC government has recently implemented several measures to control the growth of the infrastructure and real estate sectors, which could materially and adversely impact demand for our products". Furthermore, to the extent that government expenditures on infrastructure programmes are delayed, decreased or terminated as a result of macroeconomic developments or a change in government policies, our revenue and financial performance may be materially and adversely affected.

Pricing of our products

Our ability to continue to price our products competitively is important to our financial performance. We determine pricing for our products based on various factors, including our production costs, our market position, our marketing strategy, market supply and demand, market competition, the margin of such products, the age and life cycle of such products and our relationship with the relevant customers. We set different prices for different customers. The prices of our products are affected by a number of factors including:

- supply of and demand for plastic pipe and pipe fittings, which is affected by PRC domestic as well as global economic cycles;

- prices of our principal raw materials, PVC, PE and PP-R, which are affected by the supply of and demand for coal, limestone and petrochemical commodities from which they are derived and subject to PRC domestic as well as global economic cycles;

- our cost of labor, research and development expenses, equipment usage, manufacturing overhead and selling expenses, general and administrative expenses, finance costs and other expenses;

- our product characteristics and quality (as different products are priced differently); and

- the performance of industries that rely on our plastic pipe and pipe fittings, being primarily the infrastructure and real estate industries, which demand in turn is significantly affected by PRC government policies.

Our sales are typically conducted on the basis of purchase orders received from time to time, which set out the specific terms for a particular sale. Prices with respect to purchases are generally determined at the time of sale. We price our products based on production costs with reference to the prevailing market prices. We review these costs periodically with our customers in order to reflect changing market and operational conditions. Due to our market position and the quality and range of our products, we believe we have had a level of bargaining power in pricing, especially in regions such as Southern China where the purchasing power and demand for our products has been high. As we have a number of different products commanding different prices, our results of operations during the Track Record Period have not been materially affected by changes in product prices.

The following table sets forth the average selling price of each of our plastic pipe product categories for the periods indicated:

	Year ended 31 December		
	2007	2008	2009
	Average selling price[(1)]	Average selling price[(1)]	Average selling price[(1)]
		(in RMB)	
Water supply	14,235.1	16,190.8	13,665.3
Drainage	8,232.5	8,754.0	7,600.5
Power supply and telecommunications	6,776.4	7,779.8	7,475.9
Gas supply	21,258.1	20,447.7	17,361.8
Others[(2)]	9,755.7	8,149.9	7,232.6
Total	9,919.1	10,661.2	9,320.1

Notes:

1. Average selling price represents revenue for the product category divided by volume in tonnes of products sold for that category during the year.

2. "Others" comprises agriculture, floor heating and fire-fighting. We did not produce products in the floor heating and fire-fighting categories until 2008.

Seasonality

Our products are principally used in infrastructure projects and residential and commercial construction. As such, the demand for these products tends to be seasonal and corresponds with increased construction activities in the late spring, summer and early fall, particularly in the northern part of China where changes in climate are more severe.

We generally experience a reduction in the sales of our products during the first and fourth quarters of the calendar year as a result of seasonal downtimes in Northeastern and Northwestern China due to extreme weather conditions and lower level of construction activities during the winter and the Lunar New Year holiday period in the PRC.

Any significant or prolonged adverse weather conditions that negatively affect the construction activities or slow the growth of new construction activities could have a material adverse effect on our business, results of operations and financial condition.

Cost of raw materials

Our financial performance is dependent on the cost and continued availability of plastic resins. The principal raw materials for the production of our plastic pipe products are plastic resins such as PVC, PE and PP-R. For the years ended 31 December 2007, 2008 and 2009, our cost of raw materials amounted to RMB2,053.8 million, RMB2,760.6 million and RMB3,627.5 million, respectively, accounting for 89.9%, 88.6% and 88.3%, respectively, of our cost of sales. Our financial performance is therefore dependent to a substantial extent on the price fluctuations and the availability plastic resins. The primary raw material used in a majority of our pipe products is PVC resin manufactured in the PRC from coal and limestone, as opposed to PVC resin manufactured from petrochemical intermediates that are primarily used in many other parts of the world. Prices for PVC resins in the PRC have been affected by various factors, including fluctuations resulting from refinery capacity shortages, changes in PVC manufacturers' electrical and labor costs, changes in coal prices and changes in the price of petrochemical based PVC resins on the Chinese and global markets. In addition to coal and limestone based PVC resins, we also use a significant amount of various petrochemical based plastic resins in our production, prices of which have fluctuated significantly in recent years as a result of changes in natural gas and crude oil prices. The unit costs of the plastic resins we use were affected by these fluctuations. Our average PVC resin unit cost per tonne was approximately RMB6,127, RMB6,624 and RMB5,572 in 2007, 2008 and 2009, respectively, while the average unit cost per tonne of our other plastic resins was approximately RMB11,639, RMB11,717 and RMB8,441 for the same respective periods. Instability in the plastic resin markets in China could quickly affect the prices and general availability of our raw materials, which could have a material and adverse impact on us.

Historically, we have generally been able to pass on a significant portion of any increases in polymer prices to our customers over a period of time. Nevertheless, there have been negative short-term impacts on our financial performance due to changes in plastic resin prices. To the extent that cost increases cannot be passed on to our customers, or the duration of time lags associated with a pass-through becomes significant, such increases may have a material and adverse effect on our financial performance. See "Risk Factors — Risks Relating to Our Business — Our financial performance is dependent on the cost and continued availability of plastic resins."

Sales volume and production capacity

Our sales volume is primarily driven by the demand of our customers as well as our production capacity and utilization rate. Growth in demand for plastic pipe products in China has been driven by various factors including the growth of the infrastructure and real estate development sectors, increasing urbanization and increasing replacement of traditional piping systems with plastic piping systems. We also believe that our growth in sales volume has resulted from our expansion in production capacity and the increasing recognition of our Liansu brand.

We have expanded our production capacity significantly in recent years through the launch of new production facilities. For the years ended 31 December 2007, 2008 and 2009, the effective annual production capacity of our production facilities was approximately 298,100 tonnes, 426,000 tonnes and 661,800 tonnes of plastic pipes and pipe fittings, respectively. We are in the process of constructing two additional production facilities: (i) one in Urumqi, which is expected to become operational in the fourth quarter of 2010 with a design annual production capacity of approximately 12,000 tonnes and which we plan to increase to 22,000 tonnes and 34,000 tonnes by 2011 and 2012, respectively, and (ii) another in Changchun, which is expected to become operational in the first quarter of 2011 with a design annual production capacity of approximately 33,300 tonnes and which we plan to increase to 66,300 tonnes by 2012. We intend to continue to expand production capacity to meet the increasing demand for our products. See also “Business — Production Facilities and Production Process — Production Facilities.”

Level of income tax and preferential tax treatment

Our 15 subsidiaries incorporated in the PRC are subject to income tax in China. Our profit attributable to equity shareholders is affected by the level of income tax that we pay and the preferential tax treatment to which we are entitled.

Prior to 1 January 2008, the income tax rate that was generally applicable in China was 33%. On 16 March 2007, the National People’s Congress of China promulgated the New Income Tax Law, which came into effect on 1 January 2008. The New Income Tax Law adopts a unified income tax rate of 25% on most domestic enterprises and foreign-invested enterprises. Under the New Income Tax Law, enterprises that enjoyed a preferential tax rate prior to the promulgation of the New Income Tax Law are given a five-year grace period from the effective date of the New Income Tax Law to gradually transition to the new tax rate. See note 10 to section II of the accountants’ report set out in Appendix I to this prospectus for a summary of the applicable PRC corporate income tax rate, and where applicable, preferential tax treatment entitlement, during the Track Record Period for each of our PRC subsidiaries.

Further, under the New Income Tax Law and its implementing rules, enterprises established outside China with their de facto management bodies located within China may be considered a resident enterprise and subject to China enterprise income tax on their global income at the rate of 25%. Since most of our management is currently located in China, we may be subject to PRC income tax at the rate of 25% on our global income. In certain circumstances, dividends received by a resident enterprises from another resident enterprise may be exempted from this tax, but there is no guarantee that we will qualify for this exemption.

Termination or revision of any of the preferential tax treatments that our subsidiaries in China currently enjoy may have a material adverse effect on our results of operations.

Our Group was not subject to any taxation under the jurisdiction of the Cayman Islands during the Track Record Period. No provision for Hong Kong Profits Tax had been made as our Group had not derived any assessable profits in Hong Kong during the Track Record Period.

Our effective income tax rate, calculated as our Group’s income tax expense divided by profit before tax from continuing operations, was 17.6%, 18.1% and 19.4% for the years ended 31 December 2007, 2008 and 2009, respectively. We may not be able to obtain the same preferential income tax treatment upon the expiry of the current tax exemptions and preferential tax treatments, and our net profits may be adversely affected.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of our financial statements requires us to make subjective judgments in selecting the appropriate estimates and assumptions that affect the amounts reported in our financial statements. Actual results may differ from these estimates under different assumptions and conditions. The selection of critical accounting policies, the judgments and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing our audited consolidated financial information. By their nature, these judgments are subject to an inherent degree of uncertainty. These judgments are based on our historical experience, terms of existing contracts, our observance of trends in the industry, information provided by our customers and information available from outside sources, as appropriate. There can be no assurance that our judgments will prove correct or that actual results reported in future periods will not differ from our expectations reflected in our accounting treatment of certain items. Our significant accounting judgments and estimates are set out in detail in note 4 to section II of the accountants' report set out in Appendix I to this prospectus. We have identified the policies below as critical to our business operations and the understanding of our financial condition and results of operations.

We review our estimates and underlying assumptions on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Revenue recognition

We recognize revenue from the sale of goods when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

Revenue is recognized when the end-user customers or distributors, as appropriate, acknowledge receipt for our products either when they pick up their orders at our facilities or when we deliver their orders to them.

Impairment of non-financial assets

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of comprehensive income in the period in which it arises.

An assessment is made at the end of each reporting periods as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortization) had no impairment loss been recognized for the asset in prior years. A reversal of such an impairment loss is credited to the statement of comprehensive income in the period in which it arises.

Impairment provision of trade and other receivables

The provision policy for doubtful debts of the Group is based on the ongoing evaluation of the collectability and aging analysis of the outstanding receivables and on the management's judgement. A considerable amount of judgement is required in assessing the ultimate realization of these receivables, including the creditworthiness and the past collection history of each customer. If the financial conditions of the customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment may be required.

Impairment of non-financial assets

The Group assesses whether there are any indications of impairment for all non-financial assets at the end of each reporting periods. Non-financial assets are tested for impairment when there are indications that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Depreciation

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	4.5% to 5%
Plant and machinery	9% to 19%
Furniture, fixtures and office equipment	9.5% to 32.3%
Motor vehicles	9.5% to 32.3%
Leasehold improvements	Over the shorter of the lease terms and 20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at least at each financial year end.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises raw materials, direct labor and an appropriate proportion of overheads. Net realizable value is based on estimated selling prices less any estimated costs to be incurred prior to completion and disposal.

We review the ageing analysis of inventories of the Group at the end of each reporting date, and make provision for obsolete and slow moving inventory items identified that are no longer suitable for sale. We estimate the net realizable value for such inventories based primarily on the latest invoice prices and current market conditions.

For the years ended 31 December 2007 and 2008, we had write-downs of inventories to net realizable value of RMB494,000 and RMB2,019,000, respectively, while we had a write-back of inventories to net realizable value of RMB1,522,000 for the year ended 31 December 2009.

PRINCIPAL INCOME STATEMENT COMPONENTS

Revenue

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts (net of value-added tax). Substantially all of our revenue is derived from the sales of plastic pipes and pipe fittings. We also derive a small portion of our revenue from the sale of a small amount of ancillary materials such as springs for connecting plastic pipes.

The following table sets forth a breakdown of our sales volume and revenue by products for the periods indicated:

	Year ended 31 December								
	2007			2008			2009		
	Sales Volume (tonnes)	Revenue (RMB million)	% of total revenue	Sales Volume (tonnes)	Revenue (RMB million)	% of total revenue	Sales Volume (tonnes)	Revenue (RMB million)	% of total revenue
Plastic pipes and pipe fittings	255,891	2,538.2	96.9%	334,802	3,569.4	98.6%	566,229	5,277.3	99.2%
Others[1]	N/A	80.0	3.1%	N/A	49.1	1.4%	N/A	44.9	0.8%
Total	255,891	2,618.2	100.0%	334,802	3,618.5	100.0%	566,229	5,322.2	100.0%

Note:

1. "Others" consists of ancillary materials such as springs for connecting plastic pipes. Sales volume for "others" is measured in units and not tonnes, and the size of the units between different products may differ.

The following table sets forth a breakdown of our sales volume, revenue and average selling price for plastic pipes and pipe fittings by product category for the periods indicated:

	Year ended 31 December											
	2007				2008				2009			
	Sales Volume (tonnes)	Revenue (RMB million)	% of total revenue	Average selling price(1) (RMB)	Sales Volume (tonnes)	Revenue (RMB million)	% of total revenue	Average selling price(1) (RMB)	Sales Volume (tonnes)	Revenue (RMB million)	% of total revenue	Average selling price(1) (RMB)
Water supply	81,341	1,157.9	45.6%	14,235.1	93,522	1,514.2	42.4%	16,190.8	156,528	2,139.0	40.5%	13,665.3
Drainage	103,128	849.0	33.4%	8,232.5	136,337	1,193.5	33.4%	8,754.0	252,812	1,921.5	36.5%	7,600.5
Power supply and telecommunications	62,659	424.6	16.7%	6,776.4	82,097	638.7	17.9%	7,779.8	128,788	962.8	18.2%	7,475.9
Gas supply	1,844	39.2	1.6%	21,258.1	2,993	61.2	1.7%	20,447.7	5,011	87.0	1.6%	17,361.8
Others(2)	6,919	67.5	2.7%	9,755.7	19,853	161.8	4.6%	8,149.9	23,090	167.0	3.2%	7,232.6
Total(3)	255,891	2,538.2	100.0%	9,919.1	334,802	3,569.4	100.0%	10,661.2	566,229	5,277.3	100.0%	9,320.1

Notes:

1. Average selling price represents revenue for the product category divided by volume in tonnes of products sold for that category during the year.

2. "Others" comprises agriculture, floor heating and fire-fighting. We did not produce products in the floor heating and fire-fighting categories until 2008.

3. The total amount does not include revenue generated by the sale of ancillary products such as springs for connecting plastic pipes.

For financial reporting purposes, we organize our business operations into the following eight segments:

Segment	Provinces/Regions
Southern China	Guangdong Province, Guangxi Zhuang Autonomous Region, Hunan Province, Fujian Province and Hainan Province
Southwestern China	Chongqing Municipality, Sichuan Province, Guizhou Province, Yunnan Province and Xizang (Tibet) Autonomous Region
Central China	Hubei Province, Jiangxi Province and Henan Province
Eastern China	Shanghai Municipality, Jiangsu Province, Zhejiang Province and Anhui Province
Northern China	Beijing Municipality, Tianjin Municipality, Hebei Province, Shandong Province, Inner Mongolia Autonomous Region and Shanxi Province
Northwestern China	Shaanxi Province, Ningxia Hui Autonomous Region, Qinghai Province, Gansu Province and Xinjiang Uygur Autonomous Region

Segment	Provinces/Regions
Northeastern China	Liaoning Province, Jilin Province and Heilongjiang Province
Outside China	Includes sales to Hong Kong, Macau and Taiwan and all international sales outside of China.

The following table sets forth a breakdown of our revenue and sales volume of plastic pipes and pipe fittings by sales region for the periods indicated:

	2007				2008				2009			
	Sales volume (tonnes)	Revenue (RMB million)	% of total revenue	Average selling price[1] (RMB)	Sales volume (tonnes)	Revenue (RMB million)	% of total revenue	Average selling price[1] (RMB)	Sales volume (tonnes)	Revenue (RMB million)	% of total revenue	Average selling price[1] (RMB)
Southern China	163,816	1,672.0	65.9%	10,206.6	223,242	2,371.9	66.5%	10,624.8	395,270	3,682.9	69.8%	9,317.4
Southwestern China	29,505	281.5	11.1%	9,540.8	38,009	396.5	11.1%	10,431.7	53,831	487.5	9.2%	9,056.1
Central China	25,887	209.5	8.2%	8,092.9	31,685	310.0	8.7%	9,783.8	56,508	482.5	9.1%	8,538.6
Northern China	15,425	128.8	5.1%	8,350.1	18,307	193.9	5.4%	10,591.6	26,380	268.6	5.1%	10,182.0
Eastern China	12,129	119.7	4.7%	9,868.9	13,266	141.5	4.0%	10,666.4	17,363	167.9	3.2%	9,670.0
Northwestern China	4,233	45.2	1.8%	10,678.0	4,511	58.5	1.6%	12,968.3	8,728	89.5	1.7%	10,254.4
Northeastern China	2,812	48.5	1.9%	17,247.5	3,208	52.5	1.5%	16,365.3	6,036	72.2	1.4%	11,961.6
Outside China	2,084	33.0	1.3%	15,834.9	2,574	44.6	1.2%	17,327.1	2,113	26.2	0.5%	12,399.4
Total[2]	255,891	2,538.2	100.0%	9,919.1	334,802	3,569.4	100.0%	10,661.2	566,229	5,277.3	100.0%	9,320.1

Note:

1. Average selling price represents revenue from sales to customers in the specified geographic region divided by volume in tonnes of products sold in that region during the year.

2. The total amount does not include revenue generated by the sale of ancillary products such as springs for connecting plastic pipes.

Cost of sales

Our cost of sales consists of raw materials, labor costs and manufacturing costs. Manufacturing costs include depreciation and amortization, electricity and fuel, repair and maintenance and other manufacturing costs. See "Business — Raw Materials" for additional information on our cost of raw materials.

The following table sets forth a breakdown of our cost of sales during the Track Record Period:

	Year ended 31 December					
	2007		2008		2009	
	RMB (million)	% of total cost of sales	RMB (million)	% of total cost of sales	RMB (million)	% of total cost of sales
Cost of sales						
Raw materials	2,053.8	89.9%	2,760.6	88.6%	3,627.5	88.3%
Labor costs	64.1	2.8%	123.3	4.0%	192.0	4.7%
Manufacturing costs:						
Depreciation and amortization	31.6	1.3%	39.9	1.3%	51.0	1.2%
Electricity and fuel	112.3	4.9%	160.0	5.1%	185.0	4.5%
Repair and maintenance	17.6	0.8%	18.5	0.6%	35.8	0.9%
Other manufacturing costs	6.0	0.3%	12.1	0.4%	17.7	0.4%
Total cost of sales	**2,285.4**	**100.0%**	**3,114.4**	**100.0%**	**4,109.0**	**100.0%**

Other revenue, income and gains

Our other revenue, income and gains primarily consist of gross rental income from leasing of properties, gains on disposal of a jointly-controlled entity and a subsidiary, gain on sale of raw materials, income from the provision of utilities, bank interest income, and government grants and subsidies. Gain on sale of raw materials comprised mainly sale of raw materials to related parties and provision of utilities represented mainly reimbursement by related parties of their portion of the utilities costs paid by us on their behalf arising from the sharing of utilities meters. The sale of raw materials to related parties related to certain raw materials used by the related parties in their productions which are also used by us in our production. Historically, when our Group or the related parties experienced urgent need of certain raw materials, we sourced such materials from each other. Such transactions with related parties, other than the arrangement in relation to utilities costs as detailed under the section headed "Connected transactions and relationship with the Controlling Shareholder", will not continue after our Listing.

Selling and distribution costs

Selling and distribution costs primarily consist of salaries and benefits of sales and marketing staff, transportation cost, packaging cost, advertising cost and others such as travelling expenses, depreciation and business development expenses. For the years ended 31 December 2007, 2008 and 2009, our total selling and distribution costs accounted for 4.2%, 4.5% and 3.7%, respectively, of our total revenue from continuing operations. Transportation and packaging costs accounted for the majority of our selling and distribution costs, representing 58.8%, 58.7% and 58.7% of our total selling and distribution costs for the years ended 31 December 2007, 2008 and 2009, respectively.

The following table sets forth a breakdown of our selling and distribution costs for the periods indicated:

	Year ended 31 December		
	2007	2008	2009
	RMB (million)	RMB (million)	RMB (million)
Salaries and benefits of sales and marketing staff	17.7	28.5	28.9
Transportation cost	31.7	50.8	28.5
Packaging cost	33.1	44.2	88.1
Advertising cost	11.3	16.0	25.4
Others[1]	16.4	22.4	27.6
Total	**110.2**	**161.9**	**198.5**

Note:

1. "Others" primarily consists of travelling expenses, depreciation and business development expenses.

Administrative expenses

Administrative expenses primarily consist of salaries and benefits of administrative and management staff, business development expenses, utility expenses, professional services/ consultation fees, taxes (other than corporate income tax), office expenses, and other expenses. Taxes (other than corporate income tax) primarily consists of flood prevention tax, land use tax, property tax, stamp duty and vehicle and vessel usage tax. For the years ended 31 December 2007, 2008 and 2009, our administrative expenses accounted for 3.1%, 2.9% and 3.1%, respectively, of our total revenue from continuing operations. Salaries and benefits of administrative and management staff represented the largest component of our administrative expenses, representing 41.2%, 42.1% and 36.7% of our administrative expenses for the years ended 31 December 2007, 2008 and 2009, respectively. Salaries increased by 41.1% from RMB17.5 million for the year ended 31 December 2007 to RMB24.7 million for the year ended 31 December 2008, and by 25.9% from RMB24.7 million for the year ended 31 December 2008 to RMB31.1 million for the year ended 31 December 2009.

The following table sets forth a breakdown of our administrative expenses for the periods indicated:

	Year ended 31 December		
	2007	2008	2009
	RMB (million)	RMB (million)	RMB (million)
Salaries and benefits of administrative and management staff	33.4	44.9	60.0
Business development expenses	7.8	9.8	11.8
Utilities	5.2	6.3	12.9
Professional services/consultation fees	0.4	3.0	10.4
Taxes (other than corporate income tax)	6.1	9.2	13.0
Office expenses	7.2	7.8	14.2
Others(1)	20.9	25.6	41.3
Total	81.0	106.6	163.6

Note:

1. "Others" primarily consists of depreciation and amortization of non-production related tangible and intangible assets, telecommunications expenses, travelling expenses, bank charges, and education and union expenses.

Other operating expenses

Our other operating expenses consist primarily of our research and development expenses.

Finance costs

Our finance costs consist principally of interest payments on bank loans wholly repayable within five years.

Income tax

Income tax represents amounts of PRC corporate income tax paid by our Group. We were not subject to any Hong Kong profits tax or any income tax in the Cayman Islands and the BVI during the Track Record Period. A number of our PRC subsidiaries enjoyed preferential tax treatment during the Track Record Period. See note 10 to section II of the accountants' report set out in Appendix I to this prospectus for details. See also "Factors affecting results of operations and financial condition of the Group — Level of income tax and preferential tax treatment" in this section.

Pursuant to the New Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement became effective on 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between China and the jurisdiction of the foreign investors. Liansu HK, being a company incorporated in Hong Kong, is eligible to a 5% lower withholding tax rate for the dividends received from its subsidiaries established in China, according to the avoidance of double taxation arrangement between China and Hong Kong. Therefore, the withholding tax is calculated at 5% on all the distributable profits generated from subsidiaries established in China from 1 January 2008.

The relevant PRC tax authorities have confirmed that we had made all required tax filings and paid all outstanding tax liabilities as and when due to the relevant tax authorities during the Track Record Period. Our Directors have confirmed that we did not have any disputes, and they were not aware of us having any potential disputes, with any tax authorities as of the Latest Practicable Date.

We recognized certain expenses during the Track Record Period that were not deductible for income tax purposes. These non-deductible expenses primarily consisted of:

- *Loss on disposal of subsidiaries*. We disposed of equity interests in certain subsidiaries during the year ended 31 December 2008. Losses arising from the disposal of these subsidiaries were not deductible for tax purposes.

- *Business development expenses*. Pursuant to the Regulations on the Implementation of Enterprise Income Tax Law of the PRC, business development expenses incurred in connection with an enterprise's production and operational activities are deductible for tax purposes at 60% of the actual amounts incurred, provided that the amount of expenses deducted cannot exceed 0.5% of the enterprise's revenue for that taxable year.

- *Accrued expenses with the respective invoices not yet received*. According to the relevant PRC tax regulations and practices, expenses accrued during a year or period for which the related invoice was not received prior to the annual tax filing for that year may not be deducted for purposes of calculating taxable income for that year.

See note 10 to section II of the accountants' report set out in Appendix I to this prospectus for a reconciliation of the tax expense applicable to profit before tax at the statutory tax rate to the tax expense at the effective tax rate for each of the Track Record Period.

RESULTS OF OPERATIONS

Our consolidated statements of comprehensive income for each of the years ended 31 December 2007, 2008 and 2009 as set out below are derived from our audited consolidated financial statements included in Appendix I to this prospectus.

	Year ended 31 December		
	2007	**2008**	**2009**
	RMB'000	**RMB'000**	**RMB'000**
CONTINUING OPERATIONS			
REVENUE	2,618,248	3,618,526	5,322,244
Cost of sales	(2,285,404)	(3,114,419)	(4,109,005)
Gross profit	332,844	504,107	1,213,239
Other revenue, income and gains	3,148	21,717	22,876
Selling and distribution costs	(110,203)	(161,853)	(198,509)
Administrative expenses	(80,985)	(106,571)	(163,554)
Other operating expenses, net	(16,595)	(17,659)	(38,163)
Finance costs	(27,460)	(45,894)	(36,475)
Share of losses of a jointly-controlled entity	(4,506)	(4,969)	—
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	96,243	188,878	799,414
Income tax expense	(16,938)	(34,221)	(155,443)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	79,305	154,657	643,971
DISCONTINUED OPERATIONS			
Profit/(loss) for the year from discontinued operations	2,175	(18,743)	—
PROFIT FOR THE YEAR	81,480	135,914	643,971
OTHER COMPREHENSIVE INCOME			
Exchange differences on translation of foreign operations	12,197	14,237	972
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	93,677	150,151	644,943
Profit for the year attributable to:			
Owners of the Company	75,360	135,481	643,971
Non-controlling interests	6,120	433	—
	81,480	135,914	643,971
Total comprehensive income attributable to:			
Owners of the Company	87,557	149,718	644,943
Non-controlling interests	6,120	433	—
	93,677	150,151	644,943

Discontinued operations as set out above consisted of certain property development and investment, plastic extrusion equipment manufacturing and plastic polymers trading businesses that we had disposed of in 2008. See "Appendix VI — Statutory and General Information — Further Information about our Group — Reorganization" and notes 11 and 30 to section II of the accountants' report included as Appendix I to this prospectus.

PERIOD TO PERIOD COMPARISION OF RESULTS OF OPERATIONS

Year ended 31 December 2009 compared to year ended 31 December 2008

Revenue

Revenue increased by 47.1% from RMB3,618.5 million for the year ended 31 December 2008 to RMB5,322.2 million for the year ended 31 December 2009, primarily as a result of an increase in sales volume due to increasing market demand and an increase in production volume. This increase in sales volume in 2009 was principally due to an increase in sales volume of (i) 67.4% from water supply products, (ii) 85.4% from drainage products, (iii) 56.9% from power supply and telecommunications products and (iv) 67.4% from gas supply products arising from increasing market demand for such products from construction activities in the PRC infrastructure and real estate sectors. We believe market demand was positively affected by China's continuing economic development and urbanization and increase in public expenditure and investment in infrastructure. The increase in production volume was due to an increase in effective annual production capacity from 426,000 tonnes in 2008 to 661,800 tonnes in 2009.

We were able to increase our sales volume in part due to the commencement of operations in 2009 of our new production lines in Guangdong Liansu Technology's existing production facilities in Shunde, which contributed an additional 156,500 tonnes of effective annual production capacity in 2009 as compared to 2008. Due to an improvement in productivity and the establishment of new production lines, the production volume of Guangdong Liansu Technology increased by approximately 135,292 tonnes in 2009 as compared to 2008. Such new production lines are used for production of various plastic pipes and pipe fittings for all kinds of product categories from mainly PVC and PE materials. The full year operations of our production facilities in Hebei and Henan, both of which commenced operations during 2008, and the commencement of operations of our new production facilities in Sichuan and Nanjing in 2009 also contributed to an increase in revenue from Northern, Central, Southwestern and Eastern China as we were able to increase our sales volume as well as attract new customers in these regions.

Revenue from plastic pipes and pipe fittings in each of our sales regions in China increased in 2009 compared to 2008. Southern China remained our top sales region, accounting for 69.8% of our total revenue for 2009, as compared to 66.5% of our total revenue for 2008. Revenue generated in Southern China increased by 55.3% from RMB2,371.9 million for 2008 to RMB3,682.9 million for 2009 primarily due to increased production volume arising from the additional production lines in Shunde supported by market demand arising from an increase in infrastructure and real estate construction activities in this region.

The average selling price of our products decreased by approximately 12.6% from RMB10,661.2 per tonne for the year ended 31 December 2008 to RMB9,320.1 per tonne for the year ended 31 December 2009 primarily as a result of a decrease in the average prices of raw materials.

Cost of sales

Cost of sales increased by 31.9% from RMB3,114.4 million for the year ended 31 December 2008 to RMB4,109.0 million for the year ended 31 December 2009, primarily due to an increase in the cost of raw materials from RMB2,760.6 million for the year ended 31 December 2008 to RMB3,627.5

million for the year ended 31 December 2009 which in turn was due to an increased amount of raw materials that we purchased to support our corresponding increase in production volume. Our cost of sales also increased as a result of an increase in labor costs from RMB123.3 million for the year ended 31 December 2008 to RMB192.0 million for the year ended 31 December 2009 due to an increase in the number of staff required for our expanded operations, and to a lesser extent, an increase in the average salary and benefits of our employees. Costs of electricity and fuel increased from RMB160.0 million for the year ended 31 December 2008 to RMB185.0 million for the year ended 31 December 2009 as a result of the increase in our production volume and an increase in the average per unit price of electricity, in particular in Southern China. The increase in depreciation and amortization from RMB39.9 million for the year ended 31 December 2008 to RMB51.0 million for the year ended 31 December 2009 related primarily to the operations of our new facilities and new production lines in existing facilities. The increase in repair and maintenance from RMB18.5 million for the year ended 31 December 2008 to RMB35.8 million was primarily due to maintenance in relation to our expanded operations.

Gross profit and gross profit margin

As a result of the foregoing, gross profit increased by 140.7% from RMB504.1 million for the year ended 31 December 2008 to RMB1,213.2 million for the year ended 31 December 2009. Our overall gross profit margin increased from 13.9% in 2008 to 22.8% in 2009 as a result of raw material prices decreasing more than our average selling price in 2009, the continuing improvement in our production efficiency and economies of scale. The gross profit margin of our PVC plastic pipes and pipe fittings increased from 12.5% in 2008 to 21.3% in 2009, and the gross profit margin of our other plastic pipes and pipe fittings increased from 16.9% in 2008 to 25.2% in 2009 in line with the increase in our overall gross profit margin. Due to the continuous expansion of our scale of production and market share, we were able to maintain a certain level of bargaining power in negotiating the sales prices of our products and the purchase prices for our raw materials.

Other revenue, income and gains

Other revenue, income and gains increased by 5.5% from RMB21.7 million for the year ended 31 December 2008 to RMB22.9 million for the year ended 31 December 2009, primarily as a result of an increase in income from the provision of utilities of RMB4.3 million and an increase in bank interest income of RMB2.0 million, offset in part by the lack of gain on disposal of entities (which had amounted to RMB5.0 million in 2008). The provision of utilities was due to the sharing of utilities meters with other parties (mainly related parties) and the reimbursement by such parties of their portion of the utilities costs paid by us on their behalf. In 2009, there was an increase in the use of utilities by the parties with whom we shared the utilities meters.

Selling and distribution costs

Selling and distribution costs increased by 22.6% from RMB161.9 million for the year ended 31 December 2008 to RMB198.5 million for the year ended 31 December 2009. This increase was primarily due to an increase of 99.3% in packaging cost resulting from our increased sales and the use of more costly packaging materials to better protect our products during transportation. This increase was offset by a decrease of 43.9% in transportation cost, primarily as a result of a decrease of approximately 38% in average oil prices and a shift to have customers pick up their orders so that we could focus more on production and less on delivery.

Administrative expenses

Administrative expenses increased by 53.5% from RMB106.6 million for the year ended 31 December 2008 to RMB163.6 million for the year ended 31 December 2009, primarily as a result of an increase of 251.8% in professional services/consultation fees incurred in connection with the preparation for this proposed offering, and an increase of 33.6% in salaries and benefits of administrative and management staff primarily due to an increase of approximately 15% in the number of administrative employees who were recruited for our expanded operations, mainly at our newly operational facilities in Sichuan, Nanjing and Hebei. We anticipate increases in administrative expenses going forward due to increased administrative staff costs as we continue to expand our operations and in connection with the needs of a listed company. The increase in other taxes (other than corporate income tax) resulted primarily from our increase in sales, purchases, and purchase of equipment for our facilities under construction.

Other operating expenses, net

Other operating expenses, net, increased by 115.8% from RMB17.7 million for the year ended 31 December 2008 to RMB38.2 million for the year ended 31 December 2009, primarily due to an increase of RMB9.6 million in research and development costs and an increase of RMB5.1 million in impairment of trade receivables, net.

Finance costs

Finance costs decreased by 20.5% from RMB45.9 million for the year ended 31 December 2008 to RMB36.5 million for the year ended 31 December 2009, primarily due to decreases in interest rates. We expect our finance costs to increase as a result of our increased borrowings, which were used primarily for increased investments in production facilities and for the replacement of financing provided by related parties that had been repaid in preparation for this Global Offering.

Profit before tax from continuing operations

Profit before tax increased by 323.2% from RMB188.9 million for the year ended 31 December 2008 to RMB799.4 million for the year ended 31 December 2009, primarily as a result of the factors described above.

Income tax

Income tax increased by 354.4% from RMB34.2 million for the year ended 31 December 2008 to RMB155.4 million for the year ended 31 December 2009. Our effective income tax rate, calculated as our Group's income tax expense divided by profit before tax from continuing operations, increased from 18.1% in 2008 to 19.4% in 2009. The increase in income tax expense was mainly due to the increase in profit and the increase in effective income tax rate, due primarily to the cessation of the tax reduction period of Wuhan Liansu and the tax exemption period of Heshan Liansu.

Profit for the year

Due to the factors described above, our net profit increased by 373.9% from RMB135.9 million for the year ended 31 December 2008 to RMB644.0 million for the year ended 31 December 2009. Our net profit margin increased from 3.8% for the year ended 31 December 2008 to 12.1% for the year ended 31 December 2009.

Year ended 31 December 2008 compared to year ended 31 December 2007

Revenue

Revenue increased by 38.2% from RMB2,618.2 million for the year ended 31 December 2007 to RMB3,618.5 million for the year ended 31 December 2008, primarily as a result of increased sales volume and, to a lesser extent, an increase in the average selling price of our plastic pipes and pipe fittings. This increase in sales volume in 2008 was principally due to an increase in sales volume of (i) 15.0% from water supply products, (ii) 32.2% from drainage products, (iii) 31.0% from power supply and telecommunications products and (iv) 62.3% from gas supply products arising from the increasing market demand for such products from construction activities in the PRC infrastructure and real estate sectors. We believe market demand was positively affected by China's continuing economic development and urbanization and increase in public expenditure and investment in infrastructure.

We were also able to increase our sales volume as a result of an increase in the effective annual production capacity from 298,100 tonnes in 2007 to 426,000 tonnes in 2008. The commencement of operations in 2008 of our new production lines in our existing production facilities in Shunde and Heshan contributed an additional 63,700 tonnes of effective annual production capacity in 2008 as compared to 2007. The commencement of operations of our new production facilities in Daqing, Hebei and Henan also contributed to the increase in revenue from 2007 to 2008 in our newly developed regions in Northeastern, Northern and Central China, as we were able to increase our sales volume as well as attract new customers in these regions.

Revenue from sales of plastic pipes and pipe fittings in each of our sales regions increased in 2008 compared to 2007. Southern China remained our top sales region, accounting for 66.5% of our total revenue for 2008, as compared to 65.9% of our total revenue for 2007. Revenue generated in Southern China increased by 41.9% from RMB1,672.0 million for 2007 to RMB2,371.9 million for 2008 primarily due to increased production volume arising from the operation of additional production lines in Shunde and Heshan supported by market demand arising from an increase in infrastructure and real estate construction activities in this region.

The average selling price of our products increased by approximately 7.5% from RMB9,919.1 per tonne for the year ended 31 December 2007 to RMB10,661.2 per tonne for the year ended 31 December 2008 primarily as a result of an increase in the average prices of raw materials.

Cost of sales

Cost of sales increased by 36.3% from RMB2,285.4 million for the year ended 31 December 2007 to RMB3,114.4 million for the year ended 31 December 2008, primarily due to an increase in the cost of raw materials from RMB2,053.8 million for the year ended 31 December 2007 to RMB2,760.6 million for the year ended 31 December 2008, which in turn was due to an increase in the purchase of raw materials to support our corresponding increase in production volume. Our cost of sales also increased as a result of an increase in labor costs from RMB64.1 million for the year ended 31 December 2007 to RMB123.3 million for the year ended 31 December 2008 due to an increase in the number of staff required for our expanded operations, and to a lesser extent, an increase in average salary and benefits consistent with the then prevailing market rates. Costs of electricity and fuel increased from RMB112.3 million for the year ended 31 December 2007 to RMB160.0 million for the year ended 31 December 2008 as a result of the increase in our production volume and an increase in the average per unit price of electricity, in particular in Southern China. The increase in depreciation and amortization from RMB31.6 million for the year ended 31 December 2007 to RMB39.9 million for the year ended 31 December 2008 related primarily to the operations of our new facilities and new production lines in existing facilities.

Gross profit and gross profit margin

As a result of the foregoing, gross profit increased by 51.5% from RMB332.8 million for the year ended 31 December 2007 to RMB504.1 million for the year ended 31 December 2008. Our overall gross profit margin increased from 12.7% in 2007 to 13.9% in 2008 as a result of a decrease of 2.1% in our raw material costs as a percentage of our revenue, which was partially offset by an increase of 1.0% in our labor costs as a percentage of our revenue. The gross profit margin of our PVC plastic pipes and pipe fittings increased from 9.0% in 2007 to 12.5% in 2008 primarily as a result of our PVC raw material cost increasing less than our average selling price in 2008 as we were able to maintain a certain level of bargaining power in negotiating the sales prices of our products and the purchase prices for our raw materials due to our market position. The gross profit margin of our other plastic pipes and pipe fittings decreased from 23.0% in 2007 to 16.9% in 2008 as a result of the decrease in the average selling prices of our other plastic pipes and pipe fittings and the increase in raw material prices such as PE and PP-R due to the increase in oil prices.

Other revenue, income and gains

Other revenue, income and gains increased by 600.0% from RMB3.1 million for the year ended 31 December 2007 to RMB21.7 million for the year ended 31 December 2008, primarily as a result of a gain of RMB5.0 million from the disposal of a jointly-controlled entity (Guizhou Zunyi Lianhe Electrochemical Co., Ltd. (貴州遵義聯和電化有限公司) ("Guizhou Zunyi")) in 2008, an increase in income from the provision of utilities of RMB4.0 million, an increase in the gain from sale of raw materials of RMB6.6 million mainly to related companies and an increase in government grants and subsidies from RMB1.6 million for the year ended 31 December 2007 to RMB2.5 million for the year ended 31 December 2008. Guizhou Zunyi is principally engaged in the manufacture and sale of carbide products and was owned as to 60% by Liansu HK as of 31 December 2007. We disposed of our interest in it as its business and operations were not complementary to or consistent with ours. On 12 April 2008, Liansu HK disposed of its 60% equity interest in Guizhou Zunyi to Zunyi Chlorine

Alkali Co., Ltd. (遵義氯碱股份有限公司), an Independent Third Party, at a cash consideration of RMB40.7 million. The gain on disposal of Guizhou Zunyi amounted to RMB5.0 million. The provision of utilities was due to the sharing of utilities meters with other parties (mainly related parties) and the reimbursement by such parties of their portion of the utilities costs paid by us on their behalf. The government grants and subsidies represented funding received from government authorities to support certain of the Group's research and development activities, comprising mainly subsidies to Guangdong Liansu Technology from the Longjiang local government as to RMB1.0 million for its development of PP pipes with β-nucleating agent and RMB0.3 million for its development of eco-friendly PE composite products. These subsidies are granted on a project-by-project basis and there are no unfulfilled conditions or contingencies related to these grants and subsidies.

Selling and distribution costs

Selling and distribution costs increased by 46.9% from RMB110.2 million for the year ended 31 December 2007 to RMB161.9 million for the year ended 31 December 2008. This increase was primarily due to (i) an increase of 60.3% in transportation costs, which was primarily due to our increased sales and an increase in the unit cost of transportation following an increase in oil prices, and (ii) an increase of 61.0% in salaries and benefits paid to our sales and marketing employees as a result of increased headcount, comprising mainly sales staff, following the opening of our new production facilities in Henan and Hebei.

Administrative expenses

Administrative expenses increased by 31.6% from RMB81.0 million for the year ended 31 December 2007 to RMB106.6 million for the year ended 31 December 2008, primarily as a result of an increase of 34.4% in salaries and benefits of administrative and management staff. The increase was primarily due to the increase in administrative staff recruited for our newly operational facilities in Daqing, Hebei and Henan. In addition, RMB3.0 million in professional services/consultation expenses was incurred for the year ended 31 December 2008 as compared to RMB0.4 million for the year ended 31 December 2007.

Other operating expenses, net

Other operating expenses, net, increased by 6.6% from RMB16.6 million for the year ended 31 December 2007 to RMB17.7 million for the year ended 31 December 2008, primarily due to an increase of RMB3.4 million in charitable donations, partially offset by a decrease of RMB1.6 million in impairment of trade receivables, net and a decrease of RMB0.4 million in research and development costs.

Finance costs

Finance costs increased by 66.9% from RMB27.5 million for the year ended 31 December 2007 to RMB45.9 million for the year ended 31 December 2008, primarily as a result of an increase in average outstanding bank borrowings for the year ended 31 December 2008 and an increase in interest rate.

Profit before tax from continuing operations

Profit before tax increased by 96.4% from RMB96.2 million for the year ended 31 December 2007 to RMB188.9 million for the year ended 31 December 2008, primarily as a result of the factors described above.

Income tax

Income tax increased by 102.4% from RMB16.9 million for the year ended 31 December 2007 to RMB34.2 million for the year ended 31 December 2008. Our effective income tax rate, calculated as our Group's income tax expense divided by profit before tax from continuing operations, increased from 17.6% in 2007 to 18.1% in 2008. The increase in income tax expense and effective income tax rate was primarily due to the cessation of the tax exemption period of Guangdong Liansu Municipal Engineering and Guiyang Liansu.

Profit for the year

Our net profit increased by 66.7% from RMB81.5 million for the year ended 31 December 2007 to RMB135.9 million for the year ended 31 December 2008. This increase was due to the factors described above, and offset to a small extent by the loss of our discontinued operations in 2008. We generated a profit of RMB2.2 million from our discontinued operations in 2007 and we suffered a loss of RMB18.7 million from such operations in 2008. The discontinued operations related to property development and investment, plastic extrusion equipment manufacturing and plastic polymers trading. See note 30 to section II of the accountants' report set out in Appendix I to this prospectus for details. Our net profit margin increased from 3.1% in 2007 to 3.8% in 2008.

LIQUIDITY AND CAPITAL RESOURCES

We have historically funded our operations primarily from cash flows from operating activities and short-term and long-term borrowings from banks and related parties. We require cash primarily for:

- our working capital requirements, such as product manufacturing and development; and

- capital expenditures related to the development of new production facilities and the purchases of property, plant and equipment.

Going forward, we intend to fund our operations using a combination of the proceeds from the Global Offering, cash flows from operating activities, bank borrowings and future debt and equity offerings. However, our ability to fund our future operations are subject to prevailing economic conditions, the availability of debt financing and other factors, many of which are beyond our control.

The following table is a summary of our cash flow data for the periods indicated:

	Year ended 31 December		
	2007	2008	2009
	RMB (million)	RMB (million)	RMB (million)
Cash and cash equivalents at beginning of year	73.3	186.6	135.9
Net cash flows from operating activities	8.9	44.8	608.2
Net cash flows used in investing activities	(197.9)	(287.2)	(723.9)
Net cash flows from financing activities	307.8	190.6	341.4
Net increase/(decrease) in cash and cash equivalents	118.8	(51.8)	225.7
Effect of exchange rate changes, net	(5.5)	1.1	0.2
Cash and cash equivalents at end of year	186.6	135.9	361.8

Cash flows from operating activities

We derive our cash inflow from operating activities principally from the receipt of payments for the sale of our products. Our cash outflow from operating activities is principally for purchases of raw materials.

For the year ended 31 December 2009, we had net cash flows from operating activities of RMB608.2 million. This was primarily due to the cash flows from operating activities before working capital adjustments of RMB914.8 million and an increase in trade and bills payables of RMB193.0 million due to an increase in purchases, partially offset by an increase in trade and bills receivables of RMB268.0 million in line with an increase in sales, and an increase in inventories of RMB157.8 million due to the increase in finished goods to meet increasing sales demand.

For the year ended 31 December 2008, we had net cash flows from operating activities of RMB44.8 million. This was primarily due to the cash flows from operating activities before working capital adjustments of RMB305.5 million and an increase in other payables and accruals of RMB76.1 million due to an increase in advance payments from customers. These cash inflows were partially offset by an increase in inventories of RMB139.2 million due to the increase in finished goods to meet escalating sales demand and a decrease in trade and bills payables of RMB153.3 million due to quicker settlements being demanded as a result of the global financial crisis.

For the year ended 31 December 2007, we had net cash flows from operating activities of RMB8.9 million, which was primarily contributed by cash flows from operating activities before working capital adjustments of RMB179.6 million and an increase in other payables and accruals of RMB200.7 million. These cash inflows were partially offset by an increase in inventories of RMB249.2 million due to the increase in purchases of raw materials to support our increasing production volume, an increase in trade and bills receivables of RMB72.6 million arising from an increase in sales and in prepayments, deposits and other receivables of RMB73.5 million due to more advances being made to suppliers as a result of an increase in raw material purchases.

Cash flows from investing activities

Our cash outflow from investing activities is principally for the purchase of property, plant and equipment and the payment of prepaid land lease premiums. Our cash inflow from investing activities is principally from the disposals of subsidiaries and property, plant and equipment.

For the year ended 31 December 2009, we had net cash flows used in investing activities of RMB723.9 million, which was primarily due to purchases of property, plant and equipment amounting to RMB586.8 million (which principally consisted of RMB274.8 million for our Guangdong facilities, RMB56.5 million for our Nanjing facilities, RMB52.7 million for our Guiyang facilities, RMB53.7 million for our Hebei facilities, RMB28.5 million for our Wuhan facilities and RMB34.4 million for our Urumqi facilities) and an increase of RMB122.4 million in restricted cash, comprising mainly guarantee deposits for issuance of bank acceptance notes.

For the year ended 31 December 2008, we had net cash flows used in investing activities of RMB287.2 million, which was primarily due to purchases of property, plant and equipment amounting to RMB251.1 million (which principally consisted of RMB113.2 million for our Guangdong facilities, RMB73.8 million for our Hebei facilities, RMB34.3 million for our Nanjing facilities and RMB14.1 million for our Urumqi facilities) and additions of prepaid land lease payments of RMB79.1 million in relation mainly to our Changchun and Heshan facilities. We also had net inflow of cash and cash equivalents of RMB1.9 million in respect of the acquisition of Zhongshan Walton and cash inflow of RMB23.7 million from our disposal of subsidiaries during the year ended 31 December 2008.

For the year ended 31 December 2007, we had net cash flows used in investing activities of RMB197.9 million, which was primarily due to purchases of property, plant and equipment amounting to RMB170.7 million (which principally consisted of RMB89.7 million for our Guangdong facilities, RMB29.3 million for our Hebei facilities, RMB29.2 million for our Changchun facilities and RMB20.5 million for our Nanjing facilities); and additions of prepaid land lease payments of RMB54.5 million in relation to our facilities in Nanjing which was partially offset by the cash inflow of RMB18.0 million from disposal of subsidiaries.

Cash flows from financing activities

We derive our cash inflow from financing activities principally from bank borrowings and advances from related parties. Our cash outflow from financing activities relates primarily to our repayment of bank loans.

For the year ended 31 December 2009, we had net cash flows from financing activities of RMB341.4 million, which was primarily contributed by new bank loans of RMB1,663.2 million. These cash inflows were partially offset by the repayment of bank loans of RMB822.2 million, a decrease in amounts due to related companies of RMB217.0 million and a decrease in amounts due to directors of RMB228.2 million. New bank loan borrowings increased to RMB1,663.2 million in 2009 from RMB802.8 million in 2008 due primarily to increased investments in production facilities and to the need to replace financing previously provided by related parties in preparation for this Global Offering.

For the year ended 31 December 2008, we had net cash flows from financing activities of RMB190.6 million, which was primarily contributed by new bank loans of RMB802.8 million, an increase in the amounts due to related companies of RMB153.9 million relating mostly to fundings from related companies and an increase in amounts due to directors of RMB125.1 million, principally fundings from Mr. Wong. These cash inflows were partially offset by our repayment of bank loans of RMB842.5 million.

For the year ended 31 December 2007, we had net cash flows from financing activities of RMB307.8 million, which was primarily contributed by new bank loans of RMB803.0 million. These cash inflows were partially offset by our repayment of bank loans of RMB453.9 million.

CONTRACTUAL AND CAPITAL COMMITMENTS

Contractual commitments

As of 31 December 2007, 2008 and 2009, we had commitments for future minimum lease payments under non-cancellable operating leases for production plants, warehouses and equipment, which become due as follows:

	As of 31 December		
	2007	2008	2009
	RMB (million)	RMB (million)	RMB (million)
Minimum lease payments under non-cancellable operating leases			
Within one year	2.3	8.4	8.8
In the second to fifth years, inclusive	8.5	0.3	3.9
After five years	—	—	0.1
Total	10.8	8.7	12.8

Capital commitments

We had the following capital commitments as of 31 December 2007, 2008 and 2009:

	As of 31 December		
	2007	2008	2009
	RMB (million)	RMB (million)	RMB (million)
Capital commitments			
Contracted, but not provided for:			
Property, plant and equipment	101.6	103.2	109.7
Prepaid land lease payments	13.1	9.3	—
Total	114.7	112.5	109.7

The capital commitments as of 31 December 2007 mainly comprised commitments for property, plant and equipment of RMB37.3 million for construction of our Hebei facilities, RMB37.3 million for expansion of our Guangdong facilities and RMB26.7 million for construction of our Nanjing facilities; and prepaid land lease payments of RMB9.3 million for our Nanjing facilities and RMB3.8 million for our Hebei facilities. Such capital commitments were funded by cash generated from our operating activities and proceeds from bank loans.

The capital commitments as of 31 December 2008 mainly comprised commitments for property, plant and equipment of RMB23.2 million for construction of our Guiyang facilities, RMB13.7 million for construction of our Daqing facilities, RMB8.4 million for construction of our Nanjing facilities and RMB8.2 million for expansion of our Guangdong facilities; and prepaid land lease payments of RMB9.3 million for our Nanjing facilities. Such capital commitments were funded by cash generated from our operating activities and proceeds from bank loans.

The capital commitments as of 31 December 2009 mainly comprised commitments for property, plant and equipment of RMB36.4 million for buildings at our Guangdong facilities, RMB19.5 million for buildings at our Hebei facilities, RMB17.7 million for buildings, plant and machinery for our Urumqi facilities and RMB18.4 million for buildings, plant and machinery for our Wuhan facilities. Such capital commitments were funded by cash generated from our operating activities and proceeds from bank loans.

Of our RMB109.7 million in capital commitments for property, plant and equipment as of 31 December 2009, RMB90.1 million will fall due during 2010 and the remaining RMB19.6 million during 2011. We expect to pay the amounts with cash generated from our operating activities and proceeds from bank loans.

CAPITAL EXPENDITURES

The Group's capital expenditures in 2007, 2008 and 2009 amounted to RMB230.8 million, RMB357.7 million and RMB690.6 million, respectively, principally consisting of expenditures on plant construction, purchases of machinery and equipment, and purchases of land use rights for either the construction of our new production facilities or the expansion of our existing facilities.

We expect that the capital expenditures planned for 2010 will be approximately RMB520 million, primarily to be used for construction of new production facilities including plant construction costs and machinery and equipment purchases for our new production facilities in Urumqi and Changchun and expansion of our existing facilities. In addition, we also expect capital expenditures for our planned acquisition of the land, buildings and production lines of the Henan production facility that we are currently leasing and have successfully bid for at auction. See "Business — Production Facilities and Production Process — Production Facilities" and "Risk Factors — We lack certain requisite environmental approvals for our production facilities in Henan". Such expenditures will be funded mainly through our operating cash flows, cash on hand and proceeds from bank loans.

We expect to fund our capital expenditures projected beyond 2010 principally through a portion of the net proceeds from the Global Offering, from our operating cash flows, cash on hand and proceeds from bank loans.

For a discussion of expected capital expenditures with respect to our expansion plan for production facilities up to 2012, see “Business — Production Facilities and Production Process — Production Facilities”.

NET CURRENT ASSETS/LIABILITIES

The following table sets out details of our current assets and current liabilities as of the dates indicated:

	As of 31 December			As of 30 April
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
CURRENT ASSETS				
Inventories	451,303	584,131	743,507	1,135,226
Trade and bills receivables	237,409	203,247	466,735	568,719
Prepayments, deposits and other receivables	307,731	238,524	257,938	303,924
Amounts due from related companies	17,584	16,304	720	—
Restricted cash	10,909	2,780	125,133	172,143
Cash and cash equivalents	186,637	135,947	361,767	385,082
Total current assets	1,211,573	1,180,933	1,955,800	2,565,094
CURRENT LIABILITIES				
Trade and bills payables	199,040	39,667	232,702	409,106
Other payables and accruals	519,246	447,630	501,547	398,431
Interest-bearing bank loans	510,600	416,700	427,527	627,224
Amounts due to directors	429,802	492,772	263,798	175,458
Amounts due to related companies	34,398	226,045	15,693	11,530
Tax payable	17,803	19,034	73,770	32,978
Total current liabilities	1,710,889	1,641,848	1,515,037	1,654,727
NET CURRENT ASSETS/(LIABILITIES)	(499,316)	(460,915)	440,763	910,367

Our net current assets increased from RMB440.8 million as of 31 December 2009 to RMB910.4 million as of 30 April 2010, primarily due to an increase in inventories of RMB391.7 million as we purchased more raw materials and produced more products to meet the growing demand and an increase of RMB102.0 million in trade and bills receivables as a result of our continuing growth in revenue. This increase in current assets was offset by an increase in current liabilities. Our current liabilities increased primarily due to an increase of RMB176.4 million in trade and bills payable as a result of the increased purchase of raw materials and an increase of RMB199.7 million of interest-bearing bank loans, primarily for working capital purposes as we increased our purchases for raw materials. These increases in current liabilities were partially offset by a decrease of RMB103.1 million in other payables and accruals as a result of settlement of payables related to acquisitions of property, plant and equipment and a decrease of RMB88.3 million in the amounts due to a director as a result of repayment.

We had net current assets of RMB440.8 million as of 31 December 2009, as compared to net current liabilities of RMB460.9 million as of 31 December 2008, primarily due to an increase in inventories of RMB159.4 million, trade and bills receivables of RMB263.5 million and cash and cash equivalents of RMB225.8 million as a result of the increase in profits and the replacement of short term loans with long term loans, and a decrease in amounts due to directors and related companies of RMB439.3 million as a result of repayment of such amounts due to the need to replace such financing in preparation of the Global Offering. This increase was partially offset by an increase in trade and bills payables of RMB193.0 million due to our purchase of more raw materials to support the increase in production volume and our use of more bills to settle such payments.

Our net current liabilities decreased by 7.7% from RMB499.3 million as of 31 December 2007 to RMB460.9 million as of 31 December 2008, primarily due to a decrease in trade and bills payables from RMB199.0 million as of 31 December 2007 to RMB39.7 million as of 31 December 2008. The decrease in trade and bills payables was due to quicker settlements being demanded as a result of the global financial crisis. The decrease in our net current liabilities was partially offset by an increase in amounts due to directors from RMB429.8 million as of 31 December 2007 to RMB492.8 million as of 31 December 2008. Such amounts due to directors and related parties, comprised mainly borrowings to fund our expansion. The reason the Directors and related parties provided loans to us was that the Directors generally charged zero interest, which helped us to reduce our finance costs. Such loans are used by us as long-term debt financing and some of them will be capitalized before our Listing.

As of 31 December 2009, we had an amount due to a director of RMB263.8 million. We have repaid RMB88 million of such amount to the Director in April 2010 and we will capitalize the balance of RMB175.8 million prior to our Listing. We also had RMB15.7 million in amounts due to related companies as of 31 December 2009 that we repaid before the Latest Practicable Date.

INVENTORY ANALYSIS

During the Track Record Period, inventories were one of the principal components of our current assets. It is important that we manage and control our level of inventories. The value of our inventories accounted for 37.2%, 49.5% and 38.0% of our total current assets for each of the years ended 31 December 2007, 2008 and 2009, respectively.

The following table is a summary of our balance of inventories as of the dates indicated:

	As of 31 December		
	2007	2008	2009
	RMB (million)	RMB (million)	RMB (million)
Inventories			
Raw materials	386.2	373.4	384.6
Work in progress	2.8	10.4	17.9
Finished goods	62.3	200.3	341.0
Total	451.3	584.1	743.5

Our inventories increased by 27.3% from RMB584.1 million as of 31 December 2008 to RMB743.5 million as of 31 December 2009, and by 29.4% from RMB451.3 million as of 31 December 2007 to RMB584.1 million as of 31 December 2008, primarily due to an increase in finished goods as a result of the increase in our production volume and increase in purchases of raw materials.

We do not have a general provisioning policy for inventories, but make assessments on provisions on a case-by-case basis. Our raw materials are not generally susceptible to obsolescence by the passage of time. Of the RMB743.5 million of inventories as of 31 December 2009, RMB566.2 million were subsequently consumed or sold during the four months ended 30 April 2010.

The following table sets out our average inventory turnover days for the Track Record Period:

	Year ended 31 December		
	2007	2008	2009
Average inventory turnover days[(1)]	58	61	59

Note:

1. Average inventory turnover days is equal to the average inventory divided by costs of sales and multiplied by 365 days. Average inventory equals inventory at the beginning of the year plus inventory at the end of the year and divided by two.

There was no material change in the average inventory turnover days for the Track Record Period.

TRADE AND OTHER RECEIVABLES ANALYSIS

Trade and bills receivables

Our trade and bills receivables primarily relate to receivables for goods sold to our customers.

The following table sets out a breakdown of trade and bills receivables as of the dates indicated:

Group

	As of 31 December		
	2007	2008	2009
	RMB (million)	RMB (million)	RMB (million)
Trade receivables	244.7	211.7	468.3
Bills receivable	—	—	6.9
Less: Impairment provision	(7.3)	(8.5)	(8.5)
	237.4	203.2	466.7

Our major customers are independent distributors, civil contractors, real estate developers, utility companies and municipalities in China. Depending on the market condition, our trading terms with our independent distributors may change from giving a credit period of generally one month to settlement on an advance receipt basis. Our Group does not have a standardized and universal credit period granted to the non-distributor customers. The credit period of an individual non-distributor customer is considered on a case-by-case basis and is set out in the sales contracts, as appropriate, ranging from 30 days to 180 days. Sales to small, new, or short term customers are normally expected to be settled on an advance receipt basis or shortly after the goods are delivered. We do not grant credit to small, new or short term customers.

The following table sets out the aging analysis of our trade and bills receivables as of the dates indicated, based on the relevant invoice dates and net of provision:

	As of 31 December		
	2007	2008	2009
	RMB (million)	RMB (million)	RMB (million)
Aging analysis of trade and bills receivables			
Within 3 months	135.7	127.0	396.3
4 to 6 months	29.4	36.8	42.2
7 to 12 months	35.6	25.3	15.8
1 to 2 years	36.0	11.2	10.1
2 to 3 years	0.7	2.9	1.9
Over 3 years	—	—	0.4
Total trade and bills receivables	237.4	203.2	466.7

Of the RMB466.7 million of trade and bills receivables as of 31 December 2009, RMB381.2 million were subsequently settled during the four months ended 30 April 2010.

The following table sets out an aging analysis of trade and bills receivables that are neither individually nor collectively considered to be impaired:

	As of 31 December		
	2007	**2008**	**2009**
	RMB (million)	**RMB (million)**	**RMB (million)**
Aging analysis of trade and bills receivables			
Neither past due nor impaired	108.8	106.4	398.4
Past due but not impaired			
Less than 3 months past due	55.4	47.0	41.0
4 to 6 months past due	22.4	32.7	16.2
7 to 12 months past due	14.0	8.4	6.5
1 to 2 years past due	35.5	5.8	3.7
2 to 3 years past due	0.6	2.9	0.5
Over 3 years past due	0.7	—	0.4
Total trade and bills receivables	237.4	203.2	466.7

Movements in the provision for impairment of trade receivables of the Group are as follows:

	2007	**2008**	**2009**
	RMB (million)	**RMB (million)**	**RMB (million)**
At beginning of year	3.6	7.3	8.5
Impairment losses recognized	3.7	2.0	7.2
Amount written off as uncollectible	—	—	(7.2)
Disposal of subsidiaries	—	(0.8)	—
At end of year	7.3	8.5	8.5

Trade and bills receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default. Trade and bills receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group and such amounts related mainly to large projects which tend to take longer to pay. The amount of RMB7.2 million written off as uncollectible in the year ended 31 December 2009 mainly represented the doubtful debts due from overseas customers who, as of 31 December 2009, had no further business with the Group. In view of the long age of the balance, their unsatisfactory payment history, as well as the cost-ineffectiveness to collect such balance from overseas, the Group wrote off such balance in 2009. We believe that no impairment allowance is necessary in respect of the trade and bills receivables outstanding as of 31 December 2009, other than those that have been provided for, as there has not been a significant change in the credit quality of these customers and the balances are still considered fully recoverable. We do not hold any collateral over these balances.

Our past due trade receivables during the Track Record Period mainly represented the trade receivables from utility companies and governmental entities for civil and municipal projects. Since payment approval process of utility companies and governmental entities usually takes a relatively longer time, certain of the trade receivables have become past due. Considering our strategic relationship with these utility companies and governmental entities, their satisfactory payment history in the past and their good financial position, we consider the bad debt and doubtful debt provision and our credit control policies to be adequate. As of 31 December 2009, our past due trade receivables balance accounted for 14.6% of our total trade receivables balance. 83.2% of our past due trade receivables balance as of 31 December 2009 has been subsequently received up to 30 April 2010.

The following table sets out our average trade and bills receivables turnover days for the Track Record Period:

	Year ended 31 December		
	2007	**2008**	**2009**
Average trade and bills receivables turnover days[1]	28	22	23

Note:

1. Average trade and bills receivables turnover days is equal to the average trade and bills receivables divided by sales revenue and multiplied by 365 days. Average trade and bills receivables is equal to trade and bills receivables at the beginning of the year plus trade and bills receivables at the end of the year and divided by two.

Our trade and bills receivables increased from 31 December 2008 to 31 December 2009, primarily due to our increase in sales in 2009. Our trade and bills receivables decreased from 31 December 2007 to 31 December 2008, primarily due to quicker settlements being demanded as a result of the global financial crisis during the fourth quarter of 2008 when the global market conditions were adverse. There was no material change in the average trade and bills receivables turnover days for 2009 from 2008. Our average trade and bills receivables turnover days decreased from 28 days in 2007 to 22 days in 2008, primarily due to quicker settlements being demanded as a result of the global financial crisis.

Prepayments, deposits and other receivables

Prepayments, deposits and other receivables primarily consist of prepayments to suppliers for raw material purchases, deferred expenses, current portion of prepaid land lease payments, value-added tax recoverable, deposits and other receivables which comprise certain amounts due from a former subsidiary which were subsequently settled.

The following table sets out a breakdown of our prepayments deposits and other receivables as of the dates indicated:

	As of 31 December		
	2007	2008	2009
	RMB (million)	RMB (million)	RMB (million)
Prepayments	281.4	204.0	198.2
Deferred expenses	10.3	8.0	9.3
Current portion of prepaid land lease payments	2.4	3.9	4.6
Value-added tax recoverable	1.6	2.4	27.1
Deposits	3.8	3.1	5.2
Other receivables	8.2	17.1	13.5
	307.7	238.5	257.9

The above balances are unsecured, interest-free and have no fixed terms of repayment.

Prepayments amounted to RMB281.4 million, RMB204.0 million and RMB198.2 million as of 31 December 2007, 2008 and 2009, respectively. The decrease in 2008 as compared to 2007 was primarily related to the disposal of Yingxin Real Estate and Foshan EI TI Plastic. As of 31 December 2007, Yingxin Real Estate and Foshan EI TI Plastic recorded an aggregate amount of prepayment of RMB91.0 million. Since the Group had disposed of these two companies as of 31 December 2008, they were not consolidated into the Group's financial statements as of that date. Accordingly, the balance of prepayment decreased in 2008 compared to that of 2007. The slight decrease in 2009 as compared to 2008 was primarily due to the acceleration of purchase lead time as well as more favourable credit terms offered by our major suppliers as a result of an improvement in market conditions.

TRADE, BILLS AND OTHER PAYABLES ANALYSIS

Trade and bills payables

Our trade and bills payables primarily relate to the purchase of raw materials from our suppliers, with an average credit period for trade purchases of 30 to 90 days.

The following table sets out the aging analysis of our trade and bills payables as of the dates indicated, based on the relevant invoice dates:

	As of 31 December		
	2007	2008	2009
	RMB (million)	RMB (million)	RMB (million)
Aging analysis of trade and bills payables			
Within 3 months	70.8	36.4	176.1
4 to 6 months	125.5	2.4	56.0
7 to 12 months	1.1	0.1	0.1
1 to 2 years	1.5	0.1	0.3
2 to 3 years	0.1	0.6	—
Over 3 years	—	0.1	0.2
Total trade and bills payables	199.0	39.7	232.7

Of the RMB232.7 million of trade and bills payables as of 31 December 2009, RMB178.0 million were subsequently settled during the four months ended 30 April 2010.

The following table sets out our average trade and bills payables turnover days for the Track Record Period:

	Year ended 31 December		
	2007	2008	2009
Average trade and bills payables turnover days(1)	28	14	12

Note:

1. Average trade and bills payables turnover days is equal to the average trade and bills payables divided by cost of sales and multiplied by 365 days. Average trade and bills payables is equal to the trade and bills payables at the beginning of the year plus trade and bills payables at the end of the year and divided by two.

Our trade and bills payables increased from 31 December 2008 to 31 December 2009 by 486.1%, primarily due to the increase in purchase of raw materials and more bills being accepted as a result of an improvement in market conditions. Our trade and bills payables decreased from 31 December 2007 to 31 December 2008 by 80.1% from RMB199.0 million to RMB39.7 million, primarily due to less bills being accepted as a result of the global financial crisis. There was no material change in the average trade and bills payables turnover days from 2008 to 2009. Average trade and bills payables turnover days decreased from 28 days in 2007 to 14 days in 2008, primarily due to quicker settlement being demanded as a result of the global financial crisis.

The Directors confirm that the Group had not been delinquent on any of its trade payables owed to suppliers during the Track Record Period.

Other payables and accruals

Other payables and accruals mainly include advances from customers, accruals, salaries and welfare payables and other payables, which include water and electricity costs, construction payables and tax (other than corporate income tax).

The following table sets out a breakdown of our other payables and accruals as of the dates indicated:

	As of 31 December		
	2007	2008	2009
	RMB (million)	RMB (million)	RMB (million)
Advances from customers	282.2	325.4	233.7
Accruals	4.7	4.2	21.3
Salaries and welfare payables	10.3	28.9	39.8
Other payables	222.0	89.1	206.7
	519.2	447.6	501.5

The above balances are non-interest-bearing and have no fixed terms of repayment.

The decrease in these payables and accruals in 2008 was primarily due to the disposal of Yingxin Real Estate and Guangdong Liansu Machinery. As of 31 December 2007, Yingxin Real Estate and Guangdong Liansu Machinery recorded an aggregate amount of other payables and accruals of RMB52.8 million. Since the Group had disposed of these two companies as of 31 December 2008, their financial results were not consolidated into the Group's financial statements as of that date. Accordingly, the balance of other payables and accruals decreased in 2008 when compared to 2007. The increase in these payables and accruals in 2009 was primarily due to an increase in other payables of RMB117.6 million, mainly comprising an increase in other tax payable of RMB51.0 million, an increase in payables in relation to acquisition of property, plant and equipment of RMB54.0 million and additional transaction costs of RMB7.3 million in relation to the preparation for our Listing, offset by a decrease in advances from customers of RMB91.7 million due to less advances being required from customers as a result of an improvement in market conditions. The increase in other tax balance by RMB51 million as of 31 December 2009 was mainly due to the increase in value-added tax payable in line with the growth in our sales in 2009, as well as the increase in stamp duty payable arising from our increase in sales, purchases and financing activities. As of 31 December 2009, other payables included a provision of RMB18.0 million for overdue housing provident fund contribution payments.

WORKING CAPITAL

The Directors are of the opinion that, taking into consideration the financial resources presently available to the Group, including banking facilities and other internal resources, and the estimated net proceeds of the Global Offering, the Group has sufficient working capital for its working capital requirements at least in the next 12 months commencing from the date of this prospectus.

FINANCIAL RATIOS

For the years ended 31 December 2007, 2008 and 2009, our return on equity ratio, which is calculated as net profit divided by average shareholders' equity, was 33.0%, 40.4% and 87.8%, respectively. The increase in our return on equity ratio was primarily because of the increase in the net profit for the same period.

As of 31 December 2007, 2008 and 2009, our gearing ratio, which is calculated as net borrowings divided by total equity, was 347%, 247% and 106%, respectively. Our gearing ratio decreased from 347% as of 31 December 2007 to 247% as of 31 December 2008 and to 106% as of 31 December 2009 primarily because of the rate of increase in the total equity outpaced the rate of increase in net borrowings for the same period. The increase in total equity was due primarily to increased profits, while the increase in net borrowings was due primarily to support our expanding operations.

As of 31 December 2007, 2008 and 2009, our current ratio, which is calculated as current assets divided by current liabilities, was 0.71, 0.72 and 1.29, respectively. Our current ratio increased to 1.29 as of 31 December 2009 from 0.72 as of 31 December 2008 primarily due to a RMB774.9 million increase in cash and cash equivalents and other current assets that was primarily attributable to increased profits. Our current ratio remained stable at 0.72 and 0.71 as of 31 December 2008 and 2007 as both our current assets and current liabilities decreased slightly as of 31 December 2008 as compared to 31 December 2007.

As of 31 December 2009, we had net current assets of RMB440.8 million and our outstanding short-term and long-term bank loans amounted to RMB427.5 million and RMB882.2 million, respectively. We achieved profit for the year of RMB644.0 million for the year ended 31 December 2009. The significant improvement in our liquidity from net current liabilities of RMB460.9 million as of 31 December 2008 to net current assets of RMB440.8 million as of 31 December 2009 was due to our robust operating results in 2009 and the refinancing of certain of our bank borrowings, amounting to RMB296.8 million, from short-term loans to long-term loans. Our historical net current liabilities during the Track Record Period, in particular the amounts due to Directors and related parties, comprised mainly borrowings to fund our expansion. The reason the Directors and related parties provided loans to us was that the Directors generally charged zero interest, which helped us to reduce our finance costs. Such loans are used by us as long-term capital and some of them will be capitalized before our Listing.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

We have not entered into any transaction with special purpose entities nor do we engage in any transactions involving derivatives. We do not have any retained or contingent interest in assets transferred to an unconsolidated entity.

INDEBTEDNESS

Borrowings

The following table sets out our borrowings as of the dates indicated by maturity date:

	As of 31 December			As of 30 April
	2007	2008	2009	2010
	RMB (million)	RMB (million)	RMB (million)	RMB (million)
Bank loans repayable:				
Within one year or on demand	510.6	416.7	427.5	627.2
In the second year	88.0	52.0	868.5	966.0
In the third year	—	—	13.7	63.6
	598.6	468.7	1,309.7	1,656.8

Set forth below are the details of our bank loans and their respective interest rates:

	Contractual interest rate	Maturity	As of 31 December 2007	Contractual interest rate	Maturity	As of 31 December 2008	Contractual interest rate	Maturity	As of 31 December 2009	Contractual interest rate	Maturity	As of 30 April 2010
	(%)		RMB (million)	(%)		RMB (million)	(%)		RMB (million)	(%)		RMB (million)
Current												
Bank loans												
— secured	5.43-7.52	2008	495.6	5.67-8.22	2009	334.2	1.67-5.31	2010	229.1	1.67-5.84	2011	253.8
— unsecured	6.73	2008	15.0	6.12-8.22	2009	82.5	2.77-5.84	2010	198.4	2.77-5.84	2011	373.4
			510.6			416.7			427.5			627.2
Non-current												
Bank loans												
— secured	5.67-7.94	2009	88.0	7.56	2010	20.2	1.67-5.84	2011-2012	662.2	1.67-5.67	2011-2013	799.6
— unsecured			—	7.56	2010	31.8	5.4	2011	220.0	5.40	2011-2012	230.0
			88.0			52.0			882.2			1,029.6
			598.6			468.7			1,309.7			1,656.8

As of 31 December 2007, 2008 and 2009, and 30 April 2010, the following of our assets were pledged to certain banks for securing the loans granted to the Group:

	As of 31 December			As of 30 April
	2007	2008	2009	2010
	RMB (million)	RMB (million)	RMB (million)	RMB (million)
Land	74.1	24.2	53.5	53.0
Buildings	66.2	134.4	232.2	233.0
Machinery and equipment	13.6	30.8	71.7	68.6
Inventories	122.5	102.6	—	—
Investment properties	60.2	—	—	—
	336.6	292.0	357.4	354.6

As of 31 December 2009, we had an amount due to a Director of RMB263.8 million. We have repaid RMB88 million of such amount to the Director in April 2010 and we will capitalize the balance of RMB175.8 million prior to our Listing.

Our related parties have provided corporate guarantees or personal guarantees, in connection with the bank borrowings obtained by the Group, as follows:

(i) Personal guarantees provided by our directors:

	As of 31 December			As of 30 April
	2007	2008	2009	2010
	RMB (million)	RMB (million)	RMB (million)	RMB (million)
Mr. Wong Luen Hei	175.0	221.5	—	—
Ms. Zuo Xiao Ping	160.0	221.5	—	—
Mr. Zuo Man Lun	—	42.5	—	—

(ii) Personal guarantees provided by our key management personnel:

	As of 31 December			As of 30 April
	2007	2008	2009	2010
	RMB (million)	RMB (million)	RMB (million)	RMB (million)
Ms. Zuo Xiao Ying	—	13.5	—	—

(iii) Corporate guarantees provided by our related companies:

	As of 31 December			As of 30 April
	2007	2008	2009	2010
	RMB (million)	RMB (million)	RMB (million)	RMB (million)
Yingxin Real Estate	—	69.3	—	—
Guangdong Liansu Machinery	—	158.8	—	—

Certain of the Group's bank loans are secured by assets of the Group's related parties. The carrying amounts of these bank loans as of each of the reporting dates of the Track Record Period are:

	As of 31 December			As of 30 April
	2007	2008	2009	2010
	RMB (million)	RMB (million)	RMB (million)	RMB (million)
Secured by:				
Land and buildings jointly owned by Mr. Wong and Ms. Zuo Xiao Ping	47.8	111.0	—	—
Time deposits of Mr. Wong	304.8	—	—	—
Investment properties of Yingxin Real Estate	—	179.0	—	—
Land use rights of Guangdong Liansu Machinery	—	25.0	—	—
Time deposits of Top Jump Holdings Limited	—	—	440.3	439.5

The pledges over the time deposits of Top Jump Holdings Limited will be fully released prior to our Listing.

In addition, certain of the Group's bank loans were secured by personal guarantees executed by certain individuals, who were the five then shareholders of Zhongshan Walton and Mr. Huang Kunxi, the director of Heshan Liansu, amounting to RMB38.0 million and RMB8.0 million, as of 31 December 2008 and 2009, respectively; and a corporate guarantee executed by an Independent Third Party, Foshan EI TI Plastic Chemical Co., Ltd. (佛山市依達塑膠化工有限公司) ("Foshan EI TI"), amounting to RMB49.0 million as of 31 December 2008. The personal guarantees were given by the Independent Third Parties individually because they were shareholders of Zhongshan Walton at the time of the loan. Foshan EI TI was only disposed of to an Independent Third Party in June 2008 and remained as the guarantor for the relevant loan through to the end of 2008 for continuity purpose. All of the above personal guarantees and the corporate guarantee automatically terminated when the relevant loans were repaid.

We have not defaulted in our repayment of bank and other borrowings during the Track Record Period and we did not receive any notices regarding withdrawal or early repayment of banking facilities during the Track Record Period. Our borrowings did not contain any cross-default provisions related to borrowings of our Group companies.

Our bank borrowings increased by RMB347.1 million or 26.5% from RMB1,309.7 million as of 31 December 2009 to RMB1,656.8 million as of 30 April 2010. The increase was primarily attributable to a RMB199.7 million increase in short term loans and a RMB97.5 million net increase in bank borrowings that mature in the second year. We increased our borrowings in the first four months of 2010 primarily for working capital purposes as we increased our purchases of raw materials.

As of 30 April 2010, we had banking facilities in the aggregate amount of RMB1,745.8 million, among which RMB1,656.8 million has been utilized and RMB89 million remained unutilized. We intend to repay our bank loans as and when they become due partly through use of proceeds from the Global Offering as detailed in the section headed "Future Plans and Use of Proceeds" and partly through our own operating cash flow.

Except as disclosed above, we did not have outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loans, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees outstanding as of 30 April 2010.

CONTINGENT LIABILITIES

As of 31 December 2009, we had no material contingent liabilities. We are not involved in any current material legal proceedings, nor are we aware of any pending or potential material legal proceedings involving us. If we were involved in such material legal proceedings, we would record any loss contingencies when, based on information then available, it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated.

Our Directors confirm that, up to the Latest Practicable Date, there have been no material changes in our indebtedness and contingent liabilities since 31 December 2009, save as disclosed above in this section.

QUANTITATIVE AND QUALITATIVE INFORMATION ABOUT MARKET RISKS

Commodity price risk

We are exposed to fluctuations in the prices of raw materials, and in particular, PVC, PE and PP-R, as well as fluctuations in the prevailing prices of our products. We generally purchase our raw materials at prevailing market prices as we do not have fixed-price, long-term supply contracts. Our products are also generally sold at prevailing market prices as we do not have long-term sales contracts. Market prices may fluctuate and are beyond our control and may have a significant effect on our results of operations.

Our policy is to maintain up to one to two months' supply of our key raw materials, being PVC, PE and PP-R, at our production facilities. We believe the use of this reserve helps us to reduce the risk associated with an unexpected sharp rise in the prices of such raw materials. During 2008, our Directors took the view that prices for certain raw materials would increase significantly in the short-term and we purchased additional quantities of such raw materials beyond the one-month inventory back-up amounts, and when prices of such raw materials went up, we were able to benefit from the lower prices that we paid a few months earlier. The risk of obsoleteness is insignificant given that PVC, PE and PP-R are basic raw materials that we use to manufacture plastic pipes. Through the regular monitoring of market prices for our raw materials, we are able to take advantage of our Directors' and senior management's assessment of movements in raw materials prices.

During the Track Record Period, we did not enter into any long-term forward purchase or hedging contracts for our raw materials. We seek to mitigate the market risk related to commodity pricing by passing the increases in raw material costs through to our customers in the form of price increases.

Interest rate risk

Our exposure to interest rate risks relates to our bank borrowings. Our net profit is affected by changes in interest rates due to the impact such changes have on interest income and interest expense from short-term deposits and other interest-bearing financial assets and liabilities. In addition, an increase in interest rates would adversely affect our ability to service loans and our ability to raise and service long-term debt and to finance our developments, all of which in turn would adversely affect our results of operations. We have not entered into any interest rate hedging contracts or any other derivative financial instruments. Please refer to note 38 to section II of the accountants' report set out in Appendix I to this prospectus for discussion of a sensitivity analysis.

Foreign currency risk

Our businesses are located in the PRC and most of our transactions are conducted in RMB. Most of the our assets and liabilities are also denominated in RMB. Accordingly, fluctuations of the exchange rates of RMB against foreign currencies do not have significant effects on our results. We have not hedged our exposure to foreign exchange rate risk. Please refer to note 38 to section II of the accountants' report set out in Appendix I to this prospectus for discussion of a sensitivity analysis.

Credit risk

It is our policy that all customers who wish to trade on credit terms are subject to credit verification procedures, which involve credit evaluation on potential customers taking into account their size and financial status, and regular on-going checks on our existing customers to monitor their accounts receivable balances. If the accounts receivable balance has exceeded the designated credit limit, the marketing department and accounting department would report to the customer services department and may stop delivering our products to such customers until full payment has been received. We monitor the risk related to our trade receivables in accordance with our credit policy and our exposure to bad debts is not significant. We generally require no collateral from our customers to secure their payment obligations.

The credit risk of our other financial assets, which include cash and cash equivalents, prepayments, deposits and other receivables, arises from potential defaults of our counterparties, with a maximum exposure equal to the carrying amounts of these instruments.

During the Track Record Period, we have not experienced any material losses as a result of our customers' default.

Liquidity risk

Liquidity risk is the risk of non-availability of funds to meet all contractual financial commitments as they fall due. Our management aims to maintain sufficient cash and cash equivalents and have available funding through an adequate amount of committed credit facilities to meet our commitments. Please also refer to the section headed "Risk Factors — Risks Relating to Our Business — We had net current liabilities in recent periods and may have net current liabilities in the future".

Effects of inflation

According to the National Bureau of Statistics of China, China's overall national inflation rate, as represented by changes in the general consumer price index, was approximately 4.8%, 5.9% and -0.7% for the years ended 31 December 2007, 2008 and 2009, respectively. Although there can be no assurance as to the impact in future periods, inflation has not had a significant effect on our business during the Track Record Period. As of the Latest Practicable Date, our business had not been materially affected by any inflation or deflation.

TREASURY POLICY

We have adopted a treasury policy to regulate the daily operation of various financial aspects including daily cash management, cheque management, bank account management, payment approval authority, inter-company funding and bank loan management. The objective of the policy is to strengthen cash management, accelerate cash turnover, enhance usage of cash and ensure physical cash security. The internal control on treasury activities is designed to cover the potential risks related thereto. These control activities involve segregation of conflicting duties, maintaining proper record of cash inflows and outflows, ensuring proper payment approval authority and safeguarding cash and cash equivalents.

DIVIDEND POLICY

We have not declared or paid any dividends since our Company's incorporation. Going forward, our Company currently intends to recommend an annual dividend commencing from the Listing Date of not less than 25% of our profits available for distribution in the relevant financial year for distribution to our Shareholders. However, the declaration or recommendation of, the payment and the amount of dividends will be subject to the discretion of the Board and will be dependent upon our future operations, earnings, financial condition, business needs, prospects, cash requirements and availability, contractual restrictions and other factors as the Board may deem relevant at such time. Final dividends, if any, on the outstanding Shares must be recommended by our Board and approved at our annual general meeting of Shareholders. In addition, the Board may declare interim dividends as appear to the Board to be justified by our profits. The payment and the amount of any dividends declared will be subject to our Articles and the Companies Law. We are entitled under our Articles and the Companies Law to pay dividends out of our share premium account provided that on the date the proposed dividend is to be paid we are able to pay our debts when they fall due in the ordinary course of business.

Dividends may be paid only out of our distributable profits as permitted under applicable laws. To the extent profits are distributed as dividends, these profits will not be available to be reinvested in our operations. There can be no assurance that we will be able to declare or distribute any dividend as intended, and no assurance can be made with respect to the amount of any dividend payment or the timing of such payment. You should consider the risk factors affecting the Group contained in the section headed "Risk Factors" and the cautionary notice regarding forward-looking statements contained in the section headed "Forward-looking Statements".

Our ability to pay cash dividends will also depend upon the amount of distributions, if any, received by us from our operating subsidiaries. Under PRC law, dividends may be paid only out of distributable profits, which are the retained earnings of the relevant companies organized in the PRC. We will not ordinarily pay any dividends in a year in which we do not have any distributable earnings. We have been advised by our PRC legal adviser, Jun He Law Offices, that PRC laws and regulations currently provide for a withholding tax for dividends made to non-resident enterprise shareholders by companies considered to be PRC resident enterprises for tax purposes. The rate of such PRC withholding tax may be up to 10%, depending on the provisions of any tax treaty between the PRC and the jurisdiction in which the relevant non-resident shareholders reside.

RELATED PARTY TRANSACTIONS

With respect to the related parties transactions set out in note 36 to section II of the accountants' report set out in Appendix I to this prospectus, the Directors confirm that these transactions were conducted on normal commercial terms and/or that such terms were no less favourable to the Group than terms available to independent third parties and were fair and reasonable and in the interest of our Shareholders as a whole. The Directors are of the view that the related party transactions did not cause any distortion of our results or make our historical results not reflective of our performance during the Track Record Period.

All the related parties transactions set out in note 36 to section II of the accountants' report set out in Appendix I to this prospectus will be discontinued upon our Listing save as disclosed in the section headed "Connected transactions and relationship with the Controlling Shareholder".

DISTRIBUTABLE RESERVES

As of 31 December 2009, we had no distributable reserves available for distribution to our shareholders.

PROPERTY INTERESTS AND PROPERTY VALUATION

CB Richards Ellis, an independent property valuer, has valued our property interests as of 31 March 2010 and is of the opinion that the value of our property interests as of such date was an aggregate amount of RMB1,180.95 million. The full text of the letter, summary of valuation and valuation certificates with regard to such property interests are set out in Appendix IV to this prospectus.

The statement below shows the reconciliation of aggregate amounts of certain properties and lease prepayments as reflected on the audited consolidated financial statements as of 31 December 2009 with the valuation of these properties and lease prepayments as of 31 March 2010 as set out in Appendix IV to this prospectus.

	RMB'000
Net book value of property interests of our Group as of 31 December 2009 — Buildings, land use rights and construction in progress	887,783
Movements for the three months ended 31 March 2010	
Add: Net addition during the period	34,101
Less: Depreciation and amortization during the period	(5,808)
Net book value as of 31 March 2010	916,076
Valuation surplus	264,874
Valuation as of 31 March 2010	1,180,950

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

Although reasonable care has been exercised in preparing the information below, prospective investors should bear in mind that these figures are inherently subject to adjustments and may not give a true picture of the Group's financial results and position of the financial periods concerned.

The following is an illustrative statement of unaudited pro forma adjusted consolidated net tangible assets of the Group, which has been prepared for the purpose of illustrating the effect of the Global Offering as if it had taken place on 31 December 2009. It is based on the audited consolidated net tangible assets attributable to owners of the Company as of 31 December 2009 as shown in the accountants' report of the Group, the text of which is set out in Appendix I to this prospectus, and is adjusted as follows:

	Audited consolidated net tangible assets attributable to owners of the Company as of 31 December 2009	Estimated net proceeds receivable by the Company from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets	Unaudited pro forma adjusted consolidated net tangible assets per Share	
	RMB'000	RMB'000	RMB'000	RMB	HK$
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*
Based on an Offer Price of HK$2.6 per Share	1,040,850	1,613,867	2,654,717	0.88	1.00
Based on an Offer Price of HK$3.5 per Share	1,040,850	2,188,226	3,229,076	1.08	1.23

Notes:

1. The consolidated net tangible assets attributable to owners of the Company as of 31 December 2009 is extracted from the accountants' report set out in Appendix I to this prospectus and set forth below:

	RMB'000
Consolidated net assets attributable to owners of the Company	1,041,988
Less: Other intangible assets	(1,138)
Consolidated net tangible assets attributable to owners of the Company	1,040,850

2. The estimated net proceeds from the Global Offering is based on the Offer Shares and the Offer Price of HK$2.60 or HK$3.50 per Share, being the low or high end of the stated offer price range, after deduction of the underwriting fees (which does not include the incentive fee of up to 1% of the Offer Price multiplied by the total number of Offer Shares that we may, at our sole discretion, choose to pay to either or both of the Joint Global Coordinators) and related expenses payable by the Company and takes no account of any Shares which may be issued upon exercise of the Over-allotment Option, any options granted under the Pre-IPO Share Option Scheme or any options that may be granted under the Share Option Scheme.

3. No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2009, including the capitalization of the amount due to a director of RMB175,798,000. See note 36(c) to section II of the accountants' report set out in Appendix I to this prospectus for details.

4. The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated based on 3,000,000,000 Shares in issue immediately following the completion of the Global Offering without taking into account any Shares which may be issued upon exercise of the Over-allotment Option, any options granted under the Pre-IPO Share Option Scheme or any options that may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandates given to our Directors to allot and issue or repurchase Shares.

5. The unaudited pro forma adjusted consolidated net tangible assets per Share is converted into Hong Kong dollars at an exchange rate of HK$1.00 : RMB0.8773.

6. The Group's property interests as of 31 March 2010 have been valued by CB Richards Ellis, an independent property valuer, and the relevant property valuation report is set out in Appendix IV "Property Valuation". The above unaudited pro forma adjusted consolidated net tangible assets do not take into account the surplus attributable to the Group arising from the revaluation of the Group's property interests amounting to RMB264.9 million. The revaluation surplus will not be incorporated in the Group's financial statements for the year ending 31 December 2010 because it is the Group's accounting policy to state the property interests, classified under the captions "Property, plant and equipment" and "Prepaid land lease payments" in the accountants' report set out in Appendix I to this prospectus, at cost less accumulated depreciation/amortization and impairment rather than at revalued amounts. If the valuation surplus was recorded in the Group's financial statements for the year ending 31 December 2010, an additional depreciation/amortization of approximately RMB12.2 million (equivalent to HK$13.9 million based on an exchange rate of HK$1.00 : RMB0.8773) per annum would have been incurred.

PROFIT FORECAST FOR THE SIX MONTHS ENDING 30 JUNE 2010

Our Directors forecast that, on the bases and assumptions set out in Appendix III to this prospectus and in the absence of unforeseen circumstances, our forecast consolidated profit attributable to the owners of our Company and our unaudited pro forma forecast earnings per Share for the six months ending 30 June 2010 will be as follows:

Forecast consolidated profit attributable to owners of the Company for the six months ending 30 June 2010 *(Notes 1 and 3)* ....not less than RMB435 million (approximately HK$496 million equivalent)

Unaudited pro forma forecast earnings per Share *(Notes 2 and 3)* .... not less than RMB14.5 cents (approximately 16.5 HK cents equivalent)

Notes:

1. The forecast consolidated profit attributable to owners of the Company for the six months ending 30 June 2010 is extracted from the profit forecast as set out in the subsection headed "Profit Forecast For the Six Months Ending 30 June 2010" under the section headed "Financial Information" in this prospectus. The bases on which the above profit forecast for the six months ending 30 June 2010 has been prepared are summarized in Appendix III to this prospectus.

2. The calculation of the unaudited pro forma forecast earnings per Share is based on the forecast consolidated profit attributable to owners of the Company for the six months ending 30 June 2010 and a total of 3,000,000,000 Shares were issued and outstanding during the entire year, adjusted, as if the Global Offering had occurred on 1 January 2010. This calculation assumes that the Over-allotment Option, any options granted under the Pre-IPO Share Option Scheme or any options that may be granted under the Share Option Scheme would not be exercised or any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandates given to our Directors to allot and issue or repurchase Shares.

3. The forecast consolidated profit attributable to owners of the Company and the unaudited pro forma forecast earnings per Share are converted into Hong Kong dollars at an exchange rate of HK$1.00 : RMB0.8773.

Pursuant to Rule 11.18 of the Listing Rules, we have undertaken to the Stock Exchange that our interim report for the six months ending 30 June 2010 will be audited.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

The Directors have confirmed that as of the Latest Practicable Date, there are no circumstances which, had we been required to comply with Rules 13.13 to 13.19 in Chapter 13 of the Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

NO MATERIAL ADVERSE CHANGE

The Directors confirm that, up to the Latest Practicable Date, there has been no material adverse change in our financial or trading position or prospects since 31 December 2009, and there is no event since 31 December 2009 which would materially affect the information shown in the accountants' report set out in Appendix I to this prospectus.

FUTURE PLANS AND PROSPECTS

Please see the section headed ''Business — Business Strategies'' for a detailed description of our future plans.

USE OF PROCEEDS

The Directors believe that the Global Offering will help raise our corporate profile, strengthen our capital base and fund the implementation of our business strategies.

The net proceeds of the Global Offering are estimated to be approximately HK$2,166.9 million, before exercise of the Over-allotment Option, after deducting underwriting commission and other estimated expenses in connection with the Global Offering and assuming an Offer Price of HK$3.05 per Share, being the mid-point of the stated range of the Offer Price. The Directors intend to use such net proceeds as follows:

- approximately 55% (HK$1,191.8 million) to expand our existing production facilities, comprising approximately 2% (HK$43.3 million) for purchasing land use rights, approximately 21% (HK$455.1 million) for constructing production facilities and approximately 32% (HK$693.4 million) for purchasing production machines and equipment. See "Business — Production Facilities and Production Process — Production Facilities" for further details on our expansion plan;

- approximately 15% (HK$325.0 million) to expand our operations by acquiring companies with growth potential and reputable plastic pipe manufacturing operations. As of the Latest Practicable Date, we had not identified any specific acquisition target;

- approximately 15% (HK$325.0 million) to repay a portion of our bank loans with current interest rates ranging from 1.67% to 5.84% per annum with maturity dates falling between July 2010 and December 2011. These bank loans were for working capital purposes. Of the HK$325.0 million, we intend to use HK$200 million to repay a portion of our bank loans immediately after the completion of the Global Offering and the balance to repay another portion of our bank loans with maturity dates falling between April to December 2011 as and when such bank loans become due;

- approximately 5% (HK$108.4 million) to invest in research and development to further expand our product portfolio and enhance product design and functionality; and

- approximately 10% (HK$216.7 million) to fund working capital and other general corporate purposes.

If the Offer Price is set at the high-end of the proposed Offer Price range, the net proceeds that we estimate we would receive from the Global Offering (assuming that the Over-allotment Option is not exercised) will increase by approximately HK$327.3 million. In such event, we will increase the allocation of the net proceeds to the above purposes in the proportions stated above.

If the Offer Price is set at the low-end of the proposed Offer Price range, the net proceeds that we estimate we would receive from the Global Offering (assuming that the Over-allotment Option is not exercised) will decrease by approximately HK$327.3 million and we do not expect any change to our expansion and future plans as disclosed in this prospectus. In such event, we will reduce the net proceeds to be applied to (i) fund working capital and other general purposes by HK$216.7 million and (ii) acquire companies with growth potential and reputable plastic pipe manufacturing operations by HK$110.6 million. If the Offer Price is set below the mid-point but above the low-end of the proposed Offer Price range, the reduction in the net proceeds to be applied to these two purposes will be proportionally adjusted. To the extent that the net proceeds are not sufficient to fund our expansion and future plans, we intend to fund the balance through a variety of means including cash generated from our operations and bank financing. We currently believe that the net proceeds from the Global Offering, when combined with such alternate sources of financing, are sufficient for our expansion and future plans.

To the extent that the net proceeds of the Global Offering are not immediately applied for the above purposes, we will deposit the net proceeds into interest-bearing demand deposits with financial institutions.

Any additional net proceeds that we would receive from any exercise of the Over-allotment Option, in full or in part, at any price within the stated Offer Price range, will be applied to the repayment of bank loans and other general corporate purposes in an amount not exceeding 10% of the net proceeds received.

OVERVIEW

The laws and regulations governing the production and sale of plastic pipe products in the PRC include, among others, the Measures for Supervision and Administration of Hygiene of Potable Water (生活飲用水衛生監督管理辦法); the Regulations on Safety Supervision over Special Equipments (特種設備安全監察條例); the Measures for Administration of Labellings for Fire Resistant Products (Provisional) (阻燃製品標識管理辦法(暫行)); the Standardization Law of the PRC (中華人民共和國標準化法) (the "Standardization Law"); the Environmental Protection Law of the PRC (中華人民共和國環境保護法) (the "Environmental Protection Law"); and the Energy Saving Law of the PRC (中華人民共和國節約能源法) (the "Energy Saving Law"). In addition, we are subject to various PRC laws and regulations relating to foreign exchange, quality, production safety, labor and taxation. A summary of the important provisions of the aforesaid laws and regulations relating to the plastic pipe industry and our business is set out below.

PRODUCTION LICENSES AND CERTIFICATES

The Measures for Supervision and Administration of Hygiene of Potable Water (生活飲用水衛生監督管理辦法) is effective from 1 January 1997. The measures set out rules to ensure the safety of human health and drinking water. According to the measures, production and sale activities of plastic pipes used for drinking water supply may only be conducted after the requisite Permit for Hygiene and Safety Products related to Potable Water (涉及飲用水衛生安全產品衛生許可批件) has been obtained. As of the Latest Practicable Date, we have obtained the requisite permit for the production and sale of plastic pipes used for water supply in accordance with the measures.

The Regulations on Safety Supervision over Special Equipments (特種設備安全監察條例) is effective from 1 June 2003. The regulations set out rules on the safety of special equipments in order to monitor, prevent and reduce accidents, and to protect human life and property safety. According to the regulations, the production of pressure pipes and pipe fitting for gas supply may only be conducted after the requisite Permit for Production of Special Equipments (特種設備製造許可證) has been obtained. As of the Latest Practicable Date, we have obtained the requisite permit for the production of pressure pipes and pipe fitting for gas supply in accordance with the regulations.

The Measures for Administration of Labellings for Fire Resistant Products (Provisional) (阻燃製品標識管理辦法(試行)) is effective from 1 May 2007. The measures set out rules on the labelling supervision and management, in respect of fire resistant products, with a view to protect human life and property safety. According to the measures, the production and sale of fire resistant plastic pipe products, such as power supply pipes and cable ducts, may only be conducted after the requisite Certificate of Labelling Application for Fire Resistant Products (阻燃製品標識使用證書) has been obtained. As of the Latest Practicable Date, we have obtained the requisite certificate for the production and sale of our plastic pipes and pipe fittings used in power supply and telecommunications, in accordance with the measures.

PRODUCTION STANDARDIZATION

The Standardization Law, which came into effect on 1 April 1989, establishes the legal framework upon which national standards are developed and applied to various businesses and industries in the PRC. The production, sale or import of any product that does not conform to compulsory standards shall be handled by the relevant administrative authorities in accordance with the Standardization Law. Where the Standardization Law is silent on such handling, the local Administration of Industry and Commerce may confiscate the products, and any illegal income derived therefrom, and impose a fine. In circumstances where serious consequences are incurred and criminal offense is constituted, the liabilities for responsible personnel may be investigated and established in accordance with law. As of the Latest Practicable Date, we were in compliance with the relevant applicable national standards.

ENVIRONMENTAL PROTECTION

The Environmental Protection Law, which was promulgated and came into force in 1989, aims to protect and improve the environment, prevent and reduce pollution and other public hazards, and safeguard human health. MEP is responsible for the overall supervision and administration of environmental protection work in the PRC and formulates national standards for pollutants and waste materials discharged in the PRC.

According to the Environmental Protection Law, where the construction of a project may cause any pollution to the environment, an environmental impact evaluation must be performed to determine the preventive and remedial measures to be adopted, and the relevant environmental protection administration approval shall be obtained. Enterprises discharging pollutants must register with relevant environmental protection administration departments. Enterprises discharging pollutants in excess of the standards set by the MEP shall be responsible for paying a sewage discharge fee for exceeding the standard which includes the cost of eliminating the pollutants.

Depending upon the circumstances and the extent of the pollution, the relevant environmental protection administration departments may impose various types of penalties on persons or enterprises who are in violation of the Environmental Protection Law. Penalties include issuance of a warning notice; imposition of a fine; determination of a time limit for rectification; issuance of an order to reinstall and resume operation of environmental protection facilities which have been dismantled or left unused; issuance of an order to suspend production or to suspend and close the business; imposition of administrative sanctions or investigation and establishment of criminal liabilities against the personnel in charge. In addition, in cases where the pollution causes damage to others, civil indemnification to victims shall be required.

According to the Environmental Protection Law and other relevant laws and regulations, the construction, renovation and extension of all our facilities must strictly conform to all aspects of the environmental impact assessment system. Production and sales activities may only be conducted after the relevant project has been inspected and approved and the requisite Permit for the Discharge of Pollutants has been issued.

In addition, in the production and operation process, plastic pipe processing enterprises must comply with the following laws and regulations related to environmental protection: the Law of the PRC on the Prevention and Control of Atmospheric Pollution (中華人民共和國大氣污染防治法); the Law of the PRC on the Prevention and Control of Water Pollution (中華人民共和國水污染防治法); the Law of the PRC on the Prevention and Control of Pollution from Solid Wastes (中華人民共和國固體廢物污染環境防治法); the Law of the PRC on Prevention and Control of Pollution From Environmental Noise (中華人民共和國環境噪聲污染防治法); the Water Law of the PRC; and the Provisional Measures on Administration of License for the Discharge of Water Pollutants (水污染排放許可證管理暫行辦法).

In accordance with the requirements of relevant laws and regulations on environment protection, we have adopted technologies and equipment to prevent and reduce pollution, and we have received confirmation letters from the local environmental authorities indicating that we have been in compliance with the environmental protection laws and regulations since the incorporation. As of the Latest Practicable Date, we have never received an administrative penalty for breaching environmental protection laws and regulations.

ENERGY SAVING

The Energy Saving Law was revised on 28 October 2007 and came into effect on 1 April 2008. The Energy Saving Law implements an energy saving appraisal and examination system with respect to fixed asset investment projects in the PRC. In cases where a particular project fails to comply with the compulsory energy saving standards, the authorities in charge of the examination and approval or verification of projects shall not approve or certify the construction; the construction unit shall not begin construction on the project; or if completed, the completed construction project shall be prohibited from commencing production or use. The Energy Saving Law also implements a compulsory retirement system for superseded or outdated products, facilities and production techniques that consume excessive amounts of energy.

FOREIGN EXCHANGE

Pursuant to the Regulations on Foreign Exchange Control of the PRC (中華人民共和國外匯管理條例) promulgated on 29 January 1996, effective on 1 April 1996 and amended on 5 August 2008, payments made in foreign currencies for international transactions, such as the sale or purchase of goods, are not subject to PRC governmental control or restrictions. Certain organizations in the PRC, including foreign-invested enterprises, may purchase, sell and/or remit foreign currencies at certain banks authorized to conduct foreign exchange business upon providing valid commercial documents to such banks. However, approvals from the SAFE are required for the relevant capital account transactions, such as an overseas investment by a domestic company.

Pursuant to the Circular of the SAFE on Relevant Issues concerning Foreign Exchange Administration of Financing and Return Investments Undertaken by Domestic Residents through Overseas Special Purpose Vehicles (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) ("SAFE Notice"), promulgated on 21 October 2005 and effective on 1 November 2005, (a) a PRC citizen (a "PRC Resident") must register with the local SAFE branch before he or she establishes or controls an overseas special purpose vehicle ("SPV") for the purpose of conducting overseas equity financing; (b) when a PRC Resident contributes assets or equity interests to an overseas SPV, or engages in overseas financing after contributing assets or equity interests in a domestic enterprise to an overseas SPV, such PRC Resident must register his or her interest in the overseas SPV or any change to his or her interest in the overseas SPV with the local SAFE branch; and (c) when the overseas SPV undergoes a material change in capital outside the PRC, such as a change in share capital or merger and acquisition, the PRC Resident must, within 30 days after the occurrence of such event, register such change with the local SAFE branch. Pursuant to SAFE Notice, failure to comply with these registration procedures may result in penalties, including the imposition of restrictions on a PRC subsidiary's foreign exchange activities and its ability to distribute any dividends to the overseas SPV. As of 22nd January 2010, Mr. Wong has completed relevant registration with SAFE Guangdong Branch.

On 21 July 2005 the PBOC issued a Public Announcement of the PBOC on Improving the Reform of the RMB Exchange Rate Regime, which announced that the PRC would reform the exchange rate regime by using a managed floating exchange rate, which is pegged to a basket of currencies, instead of being pegged to the US dollar.

QUALITY

The revised Product Quality Law of the PRC (中華人民共和國產品質量法) was promulgated on 22 February 1993, effective on 1 September 1993 and amended on 8 July 2000. The State Council's product quality supervision authority is in charge of the nationwide supervision of product quality, while the local product quality supervision authority at or above the county level is responsible for supervising the product quality within its respective administrative region. Producers and sellers shall establish internal quality management systems and implement strict job quality specifications and corresponding quality evaluation procedures. The State encourages the enterprises to ensure that the quality of their products achieve and surpass the industrial, national and international standards.

LABOR

Pursuant to the PRC Labor Law (中華人民共和國勞動法) promulgated on 5 July 1994 and effective on 1 January 1995 and the PRC Labor Contract Law (中華人民共和國勞動合同法) promulgated on 29 June 2007 and effective on 1 January 2008, if an employment relationship is established between an entity and its employees, written labor contracts shall be prepared. The relevant laws stipulate the maximum number of working hours per day and per week, respectively. Furthermore, the relevant laws also set forth the minimum wages. The entities shall establish and develop systems for occupational safety and sanitation, implement the rules and standards of the State on occupational safety and sanitation, educate employees on occupational safety and sanitation, prevent accidents at work and reduce occupational hazards.

Under the PRC Labor Contract Law: (i) an employer shall make monetary compensation, which shall be based on the number of an employee's working years with the employer at the rate of one month's wage for each year, to the employee upon termination of the employment contract with certain exceptions; (ii) if an employee has been working for the employer for a consecutive period of not less than 10 years, or if a fixed-term employment contract with an employee was entered into on two consecutive occasions, generally the employer should enter into an open-ended employment with such employee, unless the employee requests for a fixed-term employment contract; (iii) where an employer fails to enter into an open-ended employment contract with an employee, it shall each month pay to the employee twice his wage, commencing from the date on which an open-ended employment contract should have been entered into; and (iv) if an employer hires an employee whose employment contract with another employer has not yet been terminated or ended, causing the other employer to suffer a loss, it shall be jointly and severally liable with the employee for the compensation for such loss.

Pursuant to the Regulations on Occupational Injury Insurance (工傷保險條例) promulgated on 27 April 2003 and effective on 1 January 2004 and the Interim Measures concerning the Maternity Insurance for Enterprise Employees (企業職工生育保險試行辦法) promulgated on 14 December 1994 and effective on 1 January 1995, PRC companies shall pay occupational injury insurance premiums and maternity insurance premiums for their employees.

Pursuant to the Interim Regulations on the Collection and Payment of Social Insurance Premiums (社會保險費徵繳暫行條例) promulgated and effective on 22 January 1999 and the Interim Measures concerning the Administration of the Registration of Social Insurance (社會保險登記管理暫行辦法) promulgated and effective on 19 March 1999, basic pension insurance, medical insurance and unemployment insurance are collectively referred to as social insurance. Each of the PRC companies and their employees are required to contribute to the social insurance plan.

Pursuant to the Regulations on the Administration of Housing Fund (住房公積金管理條例) promulgated and effective on 3 April 1999, as amended on 24 March 2002, PRC companies must register with the applicable housing fund management center and establish a special housing fund account in an entrusted bank. Each of the PRC companies and their employees are required to contribute to the housing fund and their respective deposits shall not be less than 5% of an individual employee's monthly average wage during the preceding year.

ENTERPRISE INCOME TAX

The new Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) (the "New Income Tax Law") became effective on 1 January 2008, replacing the Income Tax Law of the PRC on Enterprises with Foreign Investment and Foreign Enterprises (中華人民共和國外商投資企業和外國企業所得稅法) and Provisional Regulations of the PRC on Enterprise Income Tax (中華人民共和國所得稅暫行條例). The New Income Tax Law imposes a single uniform tax rate of 25% for most domestic enterprises and foreign-invested enterprises and contemplates various transitional periods and procedures. The Notification of the State Council on Carrying out the Transitional Preferential Policies concerning Enterprise Income Tax (國務院關於實施企業所得稅過渡優惠政策的通知) (the "Notification") which was promulgated and became effective on 26 December 2007 further clarifies that from 1 January 2008, the enterprises that enjoyed a "Two year exemption and three year half payment" of enterprise income tax and other preferential treatments in the form of periodic tax deductions and exemptions according to the then applicable tax laws, administrative regulations and relevant documents may, after the enactment of the Enterprise Income Tax Law, continue to enjoy such benefits until the expiration of the applicable period. Enterprises whose preferential treatment period has not commenced due to the fact that no profits had been generated in previous years will enjoy such preferential tax treatment beginning 1 January 2008 until the expiry of such period.

Under the New Income Tax Law, enterprises established outside the PRC whose "de facto management bodies" are located in the PRC are considered "resident enterprises" for PRC tax law purposes and will generally be subject to the uniform 25% enterprise income tax rate as to their global income. Under the Regulations on the Implementation of Enterprise Income Tax Law of the PRC, a "de facto management body" is defined as the body that has the significant and overall management and control over the business, personnel, accounts and properties of an enterprise. In April 2009, the State Administration of Taxation promulgated a circular to clarify the definition of "de facto management bodies" for enterprises incorporated overseas with controlling shareholders that are PRC enterprises. It remains unclear, however, how the tax authorities will treat a case such as ours which includes an overseas enterprise invested in or controlled by another overseas enterprise that is ultimately controlled by a PRC individual resident and a Hong Kong permanent resident. So far, we are currently not treated as a PRC resident enterprise by the relevant PRC tax authorities.

CALL FOR TENDER AND SUBMISSION OF BIDS

In accordance with The Tender Law of the PRC (中華人民共和國招標投標法) which took effect on 1 January 2000, a call for tender is required for all aspects (including construction, reconnaissance, design and supervision) of projects relating to social and public benefits and public security, such as large-scale infrastructure and public utilities projects in the PRC, projects financed wholly or partly with state-owned funds or by state financing and projects financed with funds from an international organization or loans or aiding funds from foreign governments.

The party that calls for the tender may determine the winner of the tender based on the written report prepared and the recommendation made by a bid evaluation commission, or authorize the bid evaluation commission to determine the winner directly. The winner shall be able to satisfy the standards of comprehensive evaluation provided in the tender documents to the best extent, or be able to meet the essential requirements in the tender documents at the lowest bid price among the bidders evaluated, except that the bid price shall not be lower than the capital costs.

INTELLECTUAL PROPERTY

The revised Trademark Law of the PRC (中華人民共和國商標法) was promulgated on 27 October 2001 and became effective on 1 December 2001. Natural persons, legal persons, or other organizations that need to obtain the exclusive right to use trademarks for the goods they produce, manufacture, process, select or distribute, shall apply to the Trademark Office for trademark registration. Trademarks that are registered upon verification and approval of the Trademark Office are registered trademarks, including commodity trademarks, service marks, collective marks and certification marks. A trademark registrant shall be entitled to the exclusive right to use the registered trademark and such right shall be protected by law. A registered trademark shall be valid for ten years, commencing from the date of registration approval. Where a registered trademark needs to be used after the expiration of its validity term, a registration renewal application shall be filed within six months prior to the expiration of the term. Each registration renewal shall be valid for a ten-year period. A trademark registrant may license its registered trademark to another party by entering into a trademark license contract.

The revised Patent Law of the PRC (中華人民共和國專利法) was promulgated on 27 December 2008 and became effective on 1 October 2009. The patent under Patent Law shall include inventions, utility models and designs. Inventions shall mean new technical solutions proposed for a product, a process or the improvement thereof. Utility models shall mean new technical solutions proposed for the shape and structure of a product, or the combination thereof, which are fit for practical applicability. Designs shall mean, with respect to a product, new designs of the shape, pattern, the combination thereof, or the combination of the color with shape and pattern, which create an aesthetic feeling and are fit for industrial application. For the application for an invention or utility model patent, the relevant documents shall be submitted, such as a written request, a written description and its abstract, and a written claim. After a patent right is granted, unless otherwise specified in the Patent Law, no organization or individual may exploit the patent without licensing from the patentee, i.e., they may not produce, use, offer to sell, sell, or import the patented products, nor use the patented method or use, offer to sell, sell or import products that are acquired directly through the patented method. The duration of the invention patent right shall be 20 years and that of the utility model patent right or design patent right shall be ten years, commencing from the date of application.

HONG KONG UNDERWRITERS

Joint Lead Managers
J.P. Morgan Securities (Asia Pacific) Limited
UBS AG, Hong Kong Branch

Co-Managers
Guotai Junan Securities (Hong Kong) Limited
Mizuho Securities Asia Ltd

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, we are offering the Hong Kong Public Offer Shares (subject to adjustment) for subscription by the public in Hong Kong at the Offer Price on, and subject to, the terms and conditions of this prospectus and the Application Forms.

Subject to the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and the Shares to be offered pursuant to the Global Offering as mentioned herein (including any additional Offer Shares which may be made available pursuant to the exercise of the Over-allotment Option) and any Shares which may be issued pursuant to the Capitalization Issue, the Pre-IPO Share Option Scheme and the Share Option Scheme and to certain other conditions set out in the Hong Kong Underwriting Agreement (including but not limited to the Offer Price being agreed upon between the Joint Global Coordinators (on behalf of the Underwriters) and us), the Hong Kong Underwriters have agreed severally and not jointly to subscribe or procure subscribers for the Hong Kong Public Offer Shares which are not taken up under the Hong Kong Public Offering on the terms and conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to the International Placing Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for Termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Public Offer Shares under the Hong Kong Underwriting Agreement are subject to termination by the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters), if, at any time prior to 8:00 a.m. on the Listing Date:

(1) there shall develop, occur, exist or come into effect:

(i) any event, or series of events, in the nature of force majeure (including, without limitation, acts of government, declaration of a national or international emergency or war, calamity, crisis, economic sanction, strikes, lock-outs, fire, explosion, flooding, epidemic (including SARS or H5N1 avian flu or any related or mutated forms thereof), civil commotion, riot, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God, major accident or prolonged interruption or delay in transportation or acts of terrorism or any state of emergency or calamity or crisis in or affecting Hong Kong, the PRC, Cayman Islands, BVI, the United States, or the European Union or any other jurisdiction where any member of our Group is incorporated or has operations (the "Relevant Jurisdictions"); or

(ii) any change or development involving a prospective change or development, or any event or series of events or results, likely to result in or represent any change or prospective change, or development involving a prospective change, in local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency or market conditions or any monetary or trading settlement system (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States, imposition or declaration of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the London Stock Exchange, the stock exchange in any other member of the European Union, the Nasdaq National Market, the Shanghai Stock Exchange, the Shenzhen Stock Exchange or the Tokyo Stock Exchange, or a material devaluation of Hong Kong dollars or the Renminbi against any foreign currencies, or any moratorium on or disruption in commercial banking activities or foreign exchange or securities settlement or clearance services in or affecting any of the Relevant Jurisdictions) in or affecting any of the Relevant Jurisdictions; or

(iii) any new law or regulation or change or development involving a prospective change in existing laws or regulations or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting any of the Relevant Jurisdictions; or

(iv) the imposition of economic or other sanctions, in whatever form, directly or indirectly, by, or for any of the Relevant Jurisdictions; or

(v) a change or development occurs involving a prospective change in taxation or exchange control, currency exchange rates or foreign investment regulations (or the implementation of any exchange control) in any of the Relevant Jurisdictions adversely affecting an investment in the Shares; or

(vi) any material adverse change, event or development occurs in relation to or in connection with any of the legal proceedings, disagreements or disputes as disclosed in this prospectus (if any), including any new allegation or claim being made or threatened to be made in respect of such proceedings, disagreements or disputes; or

(vii) any litigation or claim of any third party being threatened or instigated against any member of our Group; or

(viii) any Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or

(ix) the chairman or chief executive officer of our Company vacating his or her office in circumstances where the operations of our Group may be materially and adversely affected; or

(x) the commencement by any regulatory or judicial body or organization of any action against any Director in his or her capacity as such or an announcement by any regulatory or judicial body or organization that it intends to take any such action; or

(xi) a contravention by any member of our Group of the Companies Ordinance, the SFO, or any of the Listing Rules or applicable laws or regulations; or

(xii) a prohibition on our Company for whatever reason from allotting or selling the Shares (including the Over-allotment Option Shares) pursuant to the terms of the Global Offering; or

(xiii) non-compliance of this prospectus (or any other documents used in connection with the contemplated subscription and sale of the Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable law or regulation; or

(xiv) a petition is presented or an order is made for the winding up or liquidation of any member of our Group or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurs in respect of any member of our Group; or

(xv) any loss or damage sustained by any member of our Group (howsoever caused and whether or not the subject of any insurance or claim against any person); or

(xvi) any adverse change or development involving a prospective change (whether permanent or not) in the assets, liabilities, conditions, business affairs, prospects, profits or financial or trading position of any member of our Group which is not set forth or described in this prospectus, which, individually or in the aggregate, in any such case and in the sole opinion of the Joint Global Coordinators:

(a) is or will or may have a material adverse effect on the business, financial, trading position or other condition or prospects of our Group as a whole; or

(b) is or has or will have or may have a material adverse effect on the success of the Hong Kong Public Offering or the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Placing; or

(c) is or will or may make it inadvisable or inexpedient or impracticable for the Hong Kong Public Offering and/or the Global Offering to proceed or to market the Hong Kong Public Offering and/or the Global Offering on the terms and in the manner contemplated in this prospectus; or

(d) has or will have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms and which has or may or will have a material adverse effect on the success of the Global Offering or which prevents the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

(2) there has come to the notice of the Joint Global Coordinators:

(i) that any statement contained in this prospectus, the Application Forms, the Formal Notice and any announcements issued by our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has become, untrue, incorrect or misleading, or that any forecasts, expressions of opinion, intention or expectation expressed in this prospectus, the Application Forms, the Formal Notice and/or any announcements issued by our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) are not fair and honest and based on reasonable assumptions, when taken as a whole; or

(ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus and having not been disclosed in this prospectus, constitute a material omission therefrom; or

(iii) any breach of any of the obligations imposed upon our Company and our Controlling Shareholder under the Hong Kong Underwriting Agreement or the International Placing Agreement; or

(iv) any event, act or omission which gives or is likely to give rise to any liability of any of the Indemnifying Parties (as defined in the Hong Kong Underwriting Agreement) pursuant to the Hong Kong Underwriting Agreement; or

(v) any breach of, or any event rendering untrue or incorrect in any material respect, any of the representations and warranties of our Company and our Controlling Shareholder under the Hong Kong Underwriting Agreement; provided, however, where any representations or warranties has been given on a materiality basis, then this termination right will be exercisable with immediate effect by the Joint Global Coordinators when such representations or warranties is (or would when repeated be) untrue or misleading in any respect; or

(vi) our Company withdraws this prospectus (and any other documents used in connection with the contemplated subscription and sale of the Offer Shares) or the Global Offering.

Undertakings to the Stock Exchange under the Listing Rules

By us

We have undertaken to the Stock Exchange that no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue by us within six months from the Listing Date (whether or not such issue of Shares or our securities will be completed within six months from the commencement of dealing) without the prior consent of the Stock Exchange, except:

(a) in the circumstances prescribed by Rule 10.08 of the Listing Rules; or

(b) pursuant to the Global Offering and the Over-allotment Option; or

(c) pursuant to the exercise of the options granted under the Pre-IPO Share Option Scheme or the Share Option Scheme.

By the Controlling Shareholder

Pursuant to Rule 10.07 of the Listing Rules, the Controlling Shareholder has undertaken to the Stock Exchange that it shall not and shall procure that the relevant register holder shall not, without the prior written consent of the Stock Exchange:

(a) at any time during the period commencing from the Latest Practicable Date and ending on the date which is six months from the Listing Date (the "First Six-month Period"), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares or securities of our Company in respect of which it is shown by this prospectus to be the beneficial owner; or

(b) at any time during the period of six months commencing on the date on which the First Six-month Period expires (the "Second Six-month Period"), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares or securities referred to in (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he or she or it would cease to be our controlling shareholder.

The Controlling Shareholder has also undertaken to the Stock Exchange and us that, he or she or it will, within the period commencing on the Latest Practicable Date and ending on the date which is 12 months after the Listing Date, immediately inform us of:

(a) any pledges or charges of any of the Shares or securities of our Company beneficially owned by it in favour of any authorized institution as permitted under the Listing Rules, and the number of such Shares or securities of our Company so pledged or charged; and

(b) any indication received by it, either verbal or written, from any pledgee or chargee of any of the Shares or other securities of our Company pledged or charged that any of such Shares or securities will be disposed of.

We will also inform the Stock Exchange as soon as we have been informed of the above matters (if any) by the Controlling Shareholder and disclose such matters by way of a press notice which is published in the newspapers as soon as possible after being so informed by the Controlling Shareholder.

Undertakings to the Underwriters

By us

We have undertaken with each of the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners and the Hong Kong Underwriters that, except pursuant to the Global Offering (including pursuant to the Over-allotment Option), the Capitalization Issue or the Pre-IPO Share Option Scheme or the Share Option Scheme, it will not, without the prior written consent of the Joint Global Coordinators and unless in compliance with the requirements of the Listing Rules, at any time from the date of the Hong Kong Underwriting Agreement until the expiry of First Six-month Period offer, accept subscription for, pledge, charge, allot, issue, sell, lend, mortgage, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or repurchase any of our share capital or other securities of our Company or any interest therein (including but not limited to any securities convertible into or exercisable or exchangeable for or that represent the right to receive any such share capital or securities or any interest therein), or enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such share capital or securities or any interest therein, whether any of the foregoing transactions is to be settled by delivery of share capital or such other securities, in cash or otherwise (whether or not such issue of Shares or securities will be completed within such period) or offer or agree to announce any intention to do any of the foregoing. In the event of our Company doing any of the foregoing by virtue of the aforesaid exceptions or during the Second Six-month Period, the Company will take all reasonable steps to ensure that any such act will not create a disorderly or false market for any Shares or other securities of our Company.

By the Controlling Shareholder

The Controlling Shareholder has undertaken with the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners and the Hong Kong Underwriters that, except pursuant to the Global Offering, the Over-allotment Option or the Stock Borrowing Agreement, the Controlling Shareholder will not, without the prior written consent of the Joint Global Coordinators, at any time during the period commencing from the date of the Hong Kong Underwriting Agreement up to and including the expiry of the First Six-month Period:

(a) offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend, make any short sale or otherwise transfer or dispose of (nor enter into any agreement to transfer or dispose of or otherwise create any options, rights, interests or encumbrances in respect of), either directly or indirectly, conditionally or unconditionally, cause our Company to repurchase any of the share or debt capital or other securities of our Company or any interest therein (including, but not limited to any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, any such capital or securities or any interest therein) whether now owned or hereinafter acquired, owned directly by the Controlling Shareholder (including holding as a custodian) or with respect to which the Controlling Shareholder has beneficial ownership (collectively the "Lock-up Shares") (the foregoing restriction is expressly agreed to preclude the Controlling Shareholder from engaging in any hedging or other transaction which is designed to or which reasonably could be expected to lead to or result in a sale or disposition of the Lock-up Shares even if such Shares would be disposed of by someone other than the Controlling Shareholder; such prohibited hedging or other transactions would include without limitation any short sale or any purchase, sale or grant of any right (including without limitation any put or call option) with respect to any of the Lock-up Shares or with respect to any security that includes, relates to, or derives any significant part of its value from such Shares); or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any such capital or securities or any interest therein; or

(c) enter into any transaction with the same economic effect as any transaction described in (a) or (b) above; or

(d) agree or contract to, or publicly announce any intention to enter into, any transaction described in (a) or (b) or (c) above, whether any such transaction described in (a) or (b) or (c) above is to be settled by delivery of Shares or such other securities, in cash or otherwise.

Additionally, during the Second Six-month Period, the Controlling Shareholder will not enter into any of the foregoing transactions in (a), (b) or (c) above or contract to or publicly announce any intention to enter into any such transactions if, immediately following such transfer or disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, the Controlling Shareholder will cease to be our controlling shareholder (as defined in the Listing Rules). Until the expiry of the Second Six-month Period, in the event that the Controlling Shareholder enters into any such transactions or agrees to contracts to, or publicly announces an intention to enter into any such transactions, it will take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company.

Commission and expenses

We will pay to the Joint Global Coordinators (for itself and on behalf of the Hong Kong Underwriters) an underwriting commission at the rate of 3% of the aggregate Offer Price payable for the Hong Kong Public Offer Shares initially offered under the Hong Kong Public Offering, out of which the Hong Kong Underwriters will pay all (if any) sub-underwriting commissions. The International Underwriters will receive an underwriting commission of 3% of the Offer Price of the International Offer Shares initially offered under the International Placing. In addition, we may, at our sole discretion, pay to both or either of the Joint Global Coordinators an incentive fee of up to 1% of the Offer Price multiplied by the total number of Offer Shares. For unsubscribed Hong Kong Public Offer Shares reallocated to the International Placing, we will pay an underwriting commission at the rate applicable to the International Placing and such commission will be paid to the International Underwriters and not the Hong Kong Underwriters.

Indemnity

We and Controlling Shareholder have agreed to indemnify the Hong Kong Underwriters for certain losses which they may suffer, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement.

Underwriters' interests in our Company

Save as disclosed in this prospectus and save for their respective obligations under the Hong Kong Underwriting Agreement and the International Placing Agreement, none of the Underwriters has any shareholding interests in our Company or any of our subsidiaries or any right or options (whether legally enforceable or not) to subscribe to or to nominate persons to subscribe to securities in our Company or any of our subsidiaries.

International Placing

International Placing Agreement

In connection with the International Placing, it is expected that we will, on or about 15 June 2010, shortly after determination of the Offer Price, enter into the International Placing Agreement with the International Underwriters. Under the International Placing Agreement, subject to the conditions set forth therein, the International Underwriters to be named therein would severally and not jointly agree to purchase the International Offer Shares or procure purchasers for the International Offer Shares. Potential investors shall be reminded that in the event that the International Placing Agreement is not entered into, the Global Offering will not proceed.

Under the International Placing Agreement, our Company intends to grant to the International Underwriters the Over-allotment Option, exercisable by the Joint Global Coordinators on behalf of the International Underwriters at the sole and absolute discretion of the Joint Global Coordinators for up to 30 days after the last day for lodging applications under the Hong Kong Public Offering, to require us to allot and issue up to an aggregate of 112,500,000 additional Shares representing, in aggregate, 15% of the maximum number of Offer Shares initially available under the Global Offering. These Shares will be sold at the Offer Price and will be, among others, for the purpose of covering over-allocations in the International Placing, if any.

We and the Controlling Shareholder will agree to indemnify the International Underwriters against certain liabilities, including liabilities under the US Securities Act and the US Exchange Act.

Total Commission and Expenses

Assuming an Offer Price of HK$3.05 per Share (being the midpoint of the stated offer price range of HK$2.60 to HK$3.50 per Share), the aggregate commissions and fees (which does not include the incentive fee of up to 1% of the Offer Price multiplied by the total number of Offer Shares that we may, at our sole discretion, choose to pay to either or both of the Joint Global Coordinators), together with Stock Exchange listing fees, SFC transaction levy of 0.004%, Stock Exchange trading fee of 0.005%, legal and other professional fees and printing and other expenses relating to the Global Offering, are estimated to amount in aggregate to approximately HK$120.6 million in total (assuming the Over-allotment Option is not exercised).

PRICE PAYABLE ON APPLICATION

The Offer Price will not be more than HK$3.50 and is expected to be not less than HK$2.60. Applicants under the Hong Kong Public Offering should pay, on application, the maximum price of HK$3.50 per Share plus brokerage of 1.0%, the SFC transaction levy of 0.004% and the Stock Exchange trading fee of 0.005% thereon amounting to a total of HK$3,535.32 per board lot of 1,000 Shares.

If the Offer Price, as finally determined in the manner described below, is lower than HK$3.50, being the maximum price, we will refund the respective difference (including brokerage, the SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) to successful applicants, without interest. Further details are set out in the section headed "How to Apply for the Hong Kong Public Offer Shares" in this prospectus.

DETERMINING THE OFFER PRICE

The Offer Price is expected to be determined by agreement between the Joint Global Coordinators, on behalf of the Underwriters, and us on or before the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or around Tuesday, 15 June 2010 and in any event, no later than Sunday, 20 June 2010.

The Offer Price will not be more than HK$3.50 per Offer Share and is expected to be not less than HK$2.60 per Offer Share. The Offer Price will fall within the Offer Price range as stated in this prospectus unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

The Offer Price per Offer Share under the Hong Kong Public Offering will be identical to the Offer Price per Offer Share under the International Placing based on the Hong Kong dollar price per Offer Share under the International Placing, as determined by the Joint Bookrunners, on behalf of the Underwriters, and our Company. The Offer Price per Offer Share under the Hong Kong Public Offering will be fixed at the Hong Kong dollar amount which, when increased by the 1% brokerage, 0.004% SFC transaction levy and 0.005% Stock Exchange trading fee payable thereon, is (subject to any necessary rounding) effectively equivalent to the Hong Kong dollar price per Offer Share under the International Placing. The SFC transaction levy and the Stock Exchange trading fee otherwise payable by investors in the International Placing on Offer Shares purchased by them will be paid by us.

The Joint Global Coordinators, on behalf of the Underwriters, may, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with our consent, reduce the number of Offer Shares and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notice of the reduction in the number of Offer Shares and/or the indicative Offer Price range will be published in the South China Morning Post (in English), the Hong Kong Economic Times (in Chinese), on the website of our Company (**www.liansu.com**) and on the Stock Exchange's website (**www.hkexnews.hk**) not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. Upon issue of such a notice, the revised number of Offer Shares and/or Offer Price range will be final and conclusive and the Offer Price, if agreed upon with us, will be fixed within such revised Offer Price range. Applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include confirmation or revision, as appropriate, of the working capital statement, the Global Offering statistics as currently set out in this prospectus and any other financial information which may change materially as a result of such reduction.

In the event of a reduction in the number of Offer Shares, the Joint Global Coordinators may, at their discretion, reallocate the number of Offer Shares to be offered in the Hong Kong Public Offering and the International Placing, provided that the number of Offer Shares comprised in the Hong Kong Public Offering shall not be less than 10% of the total number of Offer Shares available under the Global Offering (assuming the Over-allotment Option is not exercised). The Offer Shares to be offered in the Hong Kong Public Offering and the Offer Shares to be offered in the International Placing may, in certain circumstances, be reallocated between these offerings at the discretion of the Joint Global Coordinators.

In the absence of any notice being published in the South China Morning Post (in English), the Hong Kong Economic Times (in Chinese) and on the websites of the Stock Exchange at **www.hkexnews.hk** and our Company at **www.liansu.com** of a reduction in the number of Offer Shares and/or the indicative Offer Price range stated in this prospectus on or before the morning of the last day for lodging applications under the Hong Kong Public Offering, the number of Offer Shares and/or the Offer Price, if agreed upon with us, will under no circumstances be fewer than the number of Offer Shares or be set outside the Offer Price range as stated in this prospectus.

If the Joint Global Coordinators (on behalf of the Underwriters) and our Company are unable to reach agreement on the Offer Price, the Global Offering will not become unconditional and will lapse immediately.

We expect to publish an announcement of the Offer Price, together with the level of applications in the Hong Kong Public Offering, the level of indications of interest in the International Placing and the basis of allocation of the Hong Kong Public Offer Shares, in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese), and on the website of the Stock Exchange at **www.hkexnews.hk** and our Company at **www.liansu.com** on Tuesday, 22 June 2010.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises the Hong Kong Public Offering and the International Placing. We intend to make available initially up to 750,000,000 Shares under the Global Offering, of which 675,000,000 Shares will initially be conditionally placed pursuant to the International Placing and the remaining 75,000,000 Shares will initially be offered to the public in Hong Kong at the Offer Price under the Hong Kong Public Offering (subject, in each case, to reallocation on the basis described below under “The Hong Kong Public Offering”). We will conditionally place our Shares in the International Placing with professional, institutional, corporate and other investors whom we anticipate to have a sizeable demand for our Shares in Hong Kong and other jurisdictions outside the United States to non US persons, in reliance on Regulation S, and in the United States with QIBs in reliance on Rule 144A.

Investors may apply for our Shares under the Hong Kong Public Offering or indicate an interest, if qualified to do so, for our Shares under the International Placing, but may not do both. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The International Placing will involve selective marketing of our Shares to professional, institutional, corporate and other investors anticipated to have a sizeable demand for such Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Prospective professional, institutional, corporate and other investors will be asked to specify the number of our Shares under the International Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building," is expected to continue up to the Price Determination Date.

Allocation of our Shares pursuant to the International Placing will be determined by the Joint Global Coordinators and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell, our Shares, after the Listing Date. Such allocation is intended to result in a distribution of our Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole.

Allocation of Hong Kong Public Offer Shares to investors under the Hong Kong Public Offering, both in relation to pool A and pool B, will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Public Offer Shares validly applied for by each applicant. Although such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Public Offer Shares.

In connection with the Global Offering, we intend to grant the Over-allotment Option to the International Underwriters exercisable by the Joint Global Coordinators on behalf of the International Underwriters. Further details are set out in "The Over-allotment Option" below.

HONG KONG UNDERWRITING AGREEMENT

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters and the International Placing is expected to be fully underwritten by the International Underwriters, in each case on a several basis, each being subject to the conditions set out under "Conditions of the Hong Kong Public Offering" below. We entered into the Hong Kong Underwriting Agreement on 8 June 2010, subject to an agreement on the Offer Price between us and the Joint Global Coordinators (on behalf of the Underwriters), and expect to enter into the International Placing Agreement on 15 June 2010. The Hong Kong Underwriting Agreement and the International Placing Agreement are expected to be conditional upon each other.

These underwriting arrangements, and the respective Underwriting Agreements, are summarized in the section headed "Underwriting" in this prospectus.

THE HONG KONG PUBLIC OFFERING

The Hong Kong Public Offering is a fully underwritten public offer (subject to agreement as to pricing and satisfaction or waiver of the other conditions set out in the Hong Kong Underwriting Agreement) for the subscription in Hong Kong of, initially, 75,000,000 Shares at the Offer Price (representing 10% of the total number of Shares initially available under the Global Offering). Subject to the reallocation of Shares between the International Placing and the Hong Kong Public Offering, the Hong Kong Public Offer Shares will represent 2.5% of our Company's enlarged issued share capital immediately after completion of the Global Offering assuming that none of the Over-allotment Option and the option pursuant to the Pre-IPO Share Option Scheme and the Share Option Scheme are exercised.

The total number of Hong Kong Public Offer Shares available under the Hong Kong Public Offering (after taking into account any reallocation referred to below) will be divided into two pools for allocation purposes (to the nearest board lot): pool A and pool B. The Hong Kong Public Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Public Offer Shares with an aggregate subscription amount of HK$5 million (excluding the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable) or less. The Hong Kong Public Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for the Hong Kong Public Offer Shares with an aggregate subscription amount of more than HK$5 million (excluding the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable) and up to the value of pool B. Applicants should be aware that applications in pool A and in pool B may receive different allocation ratios. If the Hong Kong Public Offer Shares in one pool (but not both pools) are undersubscribed, the surplus Hong Kong Public Offer Shares will be transferred to the other pool to satisfy demand in that pool and be allocated accordingly. Applicants can only receive an allocation of the Hong Kong Public Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 50% of the Hong Kong Public Offer Shares, being the Hong Kong Public Offer Shares initially allocated to each pool are liable to be rejected. Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the Application Form submitted by him/her that he/she and any person(s) for whose benefit he/she is making the application have not applied for or taken up or indicated an interest in or received or been placed or allocated (including conditionally and/or provisionally) and will not apply for or take up or indicate an interest in any International Offer Shares under the International Placing, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be).

The Offer Shares to be offered in the Hong Kong Public Offering and the International Placing may, in certain circumstances, be reallocated as between these offerings at the sole discretion of the Joint Global Coordinators.

The allocation of Offer Shares between the Hong Kong Public Offering and the International Placing is subject to adjustment. If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Placing, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 225,000,000 Offer Shares, representing 30% of the Offer Shares initially available under the Global Offering. If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Placing will be increased so that the total number of Offer Shares available under the Hong Kong Public Offering will be 300,000,000 Offer Shares, representing 40% of the Offer Shares initially available under the Global Offering. If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Placing will be increased, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 375,000,000 Offer Shares, representing 50% of the Offer Shares initially available under the Global Offering. In each such case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated equally (subject to adjustment of odd lot size) between pool A and pool B and the number of Offer Shares allocated to the International Placing will be correspondingly reduced.

In addition, if the Hong Kong Public Offering is not fully subscribed, the Joint Global Coordinators will have the discretion (but shall not be under any obligation) to reallocate to the International Placing all or any unsubscribed Hong Kong Public Offer Shares in such proportion and amounts as they deem appropriate. Conversely, the Joint Global Coordinators may at their discretion reallocate Offer Shares from the International Placing to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

References in this prospectus to applications, Application Forms, application or subscription monies or the procedure for application relate solely to the Hong Kong Public Offering.

CONDITIONS OF THE HONG KONG PUBLIC OFFERING

Acceptance of all applications for the Offer Shares pursuant to the Hong Kong Public Offering will be conditional on:

(a) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, our Shares issued and to be issued pursuant to the Global Offering, including the additional Shares which may be issued upon the exercise of the Over-allotment Option and any additional Shares which may be issued pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme and options which may be granted under the Share Option Scheme, and such listing and permission not subsequently having been revoked prior to the commencement of dealings in our Shares on the Stock Exchange;

(b) the Offer Price having been duly agreed between our Company and the Joint Global Coordinators and the Price Determination Agreement having been entered into by our Company and the Joint Global Coordinators;

(c) the execution and delivery of the International Placing Agreement on or around the Price Determination Date; and

(d) the obligations of the Underwriters under each of the respective Underwriting Agreements becoming and remaining unconditional (including, if relevant, as a result of the waiver of any conditions by the Joint Global Coordinators, on behalf of the Underwriters) and such obligations not being terminated in accordance with the terms of the respective Underwriting Agreements;

in each case, on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than 30 days after the date of this prospectus.

The consummation of each of the Hong Kong Public Offering and the International Placing is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with their respective terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and we will notify the Stock Exchange immediately. We will publish or cause to be published a notice of the lapse of the Hong Kong Public Offering in the South China Morning Post (in English), the Hong Kong Economic Times (in Chinese) and on the websites of the Stock Exchange at **www.hkexnews.hk** and our Company at **www.liansu.com** on the business day immediately following such lapse.

In case the Hong Kong Public Offering lapses, we will return all application monies to the applicants, without interest and on the terms set out in the section headed "How to Apply for the Hong Kong Public Offer Shares — Despatch/collection of Share certificates/e-Refund payment instructions/refund cheques if you apply using a White or Yellow Application Form." In the meantime, we will hold all application monies in a separate bank account(s) with the receiving bankers or other bank(s) licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

THE INTERNATIONAL PLACING

The number of Offer Shares to be initially offered for subscription or purchase under the International Placing will be 675,000,000 Offer Shares to be offered by us representing 90% of the Offer Shares initially available under the Global Offering. The International Placing is subject to the Hong Kong Public Offering being unconditional.

Pursuant to the International Placing, the International Offer Shares will be conditionally placed by the International Underwriters, or through selling agents appointed by them, with professional, institutional, corporate and other investors anticipated to have a sizeable demand for our Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S and in the United States with QIBs in reliance on Rule 144A.

The Joint Global Coordinators (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Placing, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Global Coordinators so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that such investor is excluded from any application for the Offer Shares under the Hong Kong Public Offering.

THE OVER-ALLOTMENT OPTION

In connection with the Global Offering, we intend to grant the Over-allotment Option to the Joint Global Coordinators on behalf of the International Underwriters. The Over-allotment Option gives the Joint Global Coordinators the right, exercisable at any time from the date of the International Placing Agreement until 30 days from the last day for the lodging of applications under the Hong Kong Public Offering, to require us to allot and issue up to an aggregate of 112,500,000 additional Shares, representing in aggregate 15% of the initial size of the Global Offering at the Offer Price, to, among other things, cover over-allotment, if any, in the International Placing. The Joint Global Coordinators may also cover such over-allotment by purchasing Shares in the secondary market or by a combination of purchase in the secondary market and a partial exercise of the Over-allotment Option. Any such secondary market purchase will be made in compliance with all applicable laws, rules and regulations. If the Joint Global Coordinators exercise the Over-allotment Option in full, the number of Shares being offered in the Global Offering will increase to 862,500,000 Shares, representing approximately 27.7% of our enlarged share capital following the completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, a press announcement will be made.

STOCK BORROWING ARRANGEMENT

In order to facilitate the settlement of over-allotment in connection with the International Placing, J.P. Morgan Securities Ltd. may choose to borrow Shares from New Fortune under the Stock Borrowing Agreement that may be entered into between J.P. Morgan Securities Ltd. and New Fortune, or acquire Shares from other sources, including exercising the Over-allotment Option. The Stock Borrowing Agreement will not be subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the requirements set out in Rule 10.07(3) are complied with. Furthermore, (i) the Stock Borrowing Agreement is fully described in this prospectus and must be for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option in the International Placing; (ii) the maximum number of Shares to be borrowed from New Fortune will be limited to the maximum number of Shares which may be issued and allotted by our Company upon exercise of the Over-allotment Option, which is limited to 112,500,000 Shares, representing 15% of the Shares initially available under the Global Offering; (iii) the same number of Shares so borrowed must be returned to New Fortune or its nominees, as the case may be, on or before the third Business Day following the earlier of (a) the last date on which the Over-allotment Option may be exercised, and (b) the day on which the Over-allotment Option is exercised in full; (iv) borrowing of Shares pursuant to the Stock Borrowing Agreement will be effected in compliance with all applicable Listing Rules, laws and regulatory requirements; and (v) no payment will be made to New Fortune in relation to the Stock Borrowing Agreement.

STABILIZING ACTION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to minimize and, if possible, prevent a decline in the prices of our Shares. In Hong Kong and certain other jurisdictions, activity aimed at reducing the market price is prohibited, and the price at which stabilization is effected is not permitted to exceed the Offer Price.

In connection with the Global Offering, J.P. Morgan Securities (Asia Pacific) Limited, its affiliates or any person acting for them, as Stabilizing Manager, on behalf of the Underwriters, may effect transactions with a view to stabilizing or supporting the market price of our Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements including those of Hong Kong. However, there is no obligation on the Stabilizing Manager, its affiliates or any person acting for them, to conduct any such stabilizing action. Such stabilization action, if commenced, will be conducted at the absolute discretion of the Stabilizing Manager, its affiliates or any person acting for them, and may be discontinued at any time, and must be brought to an end within 30 days of the last day for the lodging of applications under the Hong Kong Public Offering. The number of Shares that may be over-allotted will not be greater than the number of Shares which may be sold upon exercise of the Over-allotment Option, being 112,500,000 Shares, which is 15% of our Offer Shares initially available under the Global Offering.

The Stabilizing Manager, its affiliates or any person acting for them, may take all or any of the following stabilizing actions in Hong Kong during the stabilization period:

(i) purchase, or agree to purchase, any of our Shares or offer or attempt to do so for the sole purpose of preventing or minimizing any reduction in the market price of our Shares; and/or

(ii) in connection with any action described in paragraph (i) above:

(A) (1) over-allot our Shares; or

(2) sell or agree to sell our Shares so as to establish a short position in them,

for the sole purpose of preventing or minimizing any reduction in the market price of our Shares;

(B) exercise the Over-allotment Option and purchase or subscribe for or agree to purchase or subscribe for our Shares in order to close out any position established under paragraph (A) above;

(C) sell or agree to sell any of our Shares acquired by it in the course of the stabilizing action referred to in paragraph (i) above in order to liquidate any position that has been established by such action; and/or

(D) offer or attempt to do anything as described in paragraph (ii)(A)(2), (ii)(B) or (ii)(C) above.

The Stabilizing Manager, its affiliates or any person acting for them, may, in connection with the stabilizing action, maintain a long position in our Shares, and there is no certainty as to the extent to which and the time period for which they will maintain such a position. Investors should be warned of the possible impact of any liquidation of the long position by the Stabilizing Manager, its affiliates or any person acting for them, which may include a decline in the market price of our Shares.

Stabilization action cannot be taken to support the price of our Shares for longer than the stabilization period which begins on the Listing Date and ends on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for our Shares, and therefore their market price, could fall. A public announcement will be made within seven days after the end of the stabilization period in accordance with the Securities and Futures (Price Stabilizing) Rules of the SFO.

Any stabilizing action taken by the Stabilizing Manager, its affiliates or any person acting for them, may not necessarily result in the market price of our Shares staying at or above the Offer Price either during or after the stabilization period. Stabilization bids or market purchases effected in the course of the stabilizing action may be made at any price at or below the Offer Price and can therefore be done at a price below the price investors have paid in acquiring our Shares.

DEALING

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Wednesday, 23 June 2010, it is expected that dealings in our Shares on the Stock Exchange will commence at 9:30 a.m. on Wednesday, 23 June 2010. Our Shares will be traded on the Main Board in board lots size of 1,000 Shares each.

WHO CAN APPLY FOR THE HONG KONG PUBLIC OFFER SHARES AND CHANNELS TO APPLY

You can apply for the Hong Kong Public Offer Shares available for subscription by the public on a **WHITE** or **YELLOW** Application Form, if you or any person(s) for whose benefit you are applying:

1. are 18 years of age or older and have a Hong Kong address;

2. if you are a firm, the application must be in the name(s) of the individual member(s), not in the name of the firm;

3. if you are a body corporate, the application must be stamped with the company chop (bearing the company name) signed by a duly authorized officer, who must state his or her representative capacity;

4. save under the circumstances permitted by the Listing Rules, you cannot apply for any Hong Kong Public Offer Shares if you are or any person(s) for whose benefit you are applying is/are:

   - an existing beneficial owner of Shares in the Company and/or any of its subsidiaries;

   - the chief executive or a Director of the Company and/or any of its subsidiaries;

   - an associate of any of the above (as "associate" is defined in the Listing Rules); or

   - a connected person (as defined in the Listing Rules) of the Company or a person who will become a connected person (as defined in the Listing Rules) of the Company immediately upon completion of the Global Offering; and

5. you cannot apply for any Hong Kong Public Offer Shares if you are or any person(s) for whose benefit you are applying are/is:

   - a United States person (as defined in Regulation S under the US Securities Act of 1933 as amended);

   - a legal or natural person of the People's Republic of China (other than Hong Kong, Macau and Taiwan); or

   - if you do not have a Hong Kong address.

If you wish to apply for Hong Kong Public Offer Shares online through the **White Form eIPO** service (**www.eipo.com.hk),** you must also:

- have a valid Hong Kong identity card number; and

- be willing to provide a valid e-mail address and a contact telephone number.

You may only apply by means of the **White Form eIPO** service if you are an individual applicant. Corporations or joint applicants may not apply by means of **White Form eIPO.**

If your application is made through a duly authorized attorney, we and the Joint Global Coordinators or their respective agents and nominees as our agents may accept your application at our/their discretion, and subject to any conditions we/they think fit, including production of evidence of the authority of your attorney.

The number of joint applicants must not exceed four.

We, the Joint Global Coordinators and the **White Form eIPO** Service Provider, in their capacity as our agents, have full discretion to reject or accept any application, in full or in part, without assigning any reason.

You may apply for Hong Kong Public Offer Shares under the Hong Kong Public Offering or indicate an interest for Shares under the International Placing, but may not do both.

CHANNELS OF APPLYING FOR THE HONG KONG PUBLIC OFFER SHARES

There are three ways to make an application for Hong Kong Public Offer Shares. You may either (i) use a **WHITE** or **YELLOW** Application Form; (ii) apply online through the designated website of the **White Form eIPO** service provider, referred to herein as the "**White Form eIPO**" service; or (iii) **electronically** instruct HKSCC to cause HKSCC Nominees to apply for Hong Kong Public Offer Shares on your behalf. Except where you are a nominee and provide the required information in your application, you or your joint applicant(s) may not make more than one application (whether individually or jointly) by applying on a **WHITE** and **YELLOW** Application Forms or applying online through **White Form eIPO** service or by giving **electronic application instructions** to HKSCC.

I. Applying by using a WHITE or YELLOW Application Form

Which Application Form to use

Use a **WHITE** Application Form if you want the Hong Kong Public Offer Shares issued in your own name.

Use a **YELLOW** Application Form if you want the Hong Kong Public Offer Shares to be registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.

Where to collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Wednesday, 9 June 2010 until 12:00 noon on Monday, 14 June 2010 from:

J.P. Morgan Securities (Asia Pacific) Limited
28/F, Chater House
8 Connaught Road Central
Central, Hong Kong

UBS AG, Hong Kong Branch
52/F, Two International Finance Centre
8 Finance Street
Central
Hong Kong

Guotai Junan Securities (Hong Kong) Limited
27/F., Low Block, Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

Mizuho Securities Asia Ltd
12th Floor, Chater House
8 Connaught Road Central
Central, Hong Kong

or any of the following branches of Industrial and Commercial Bank of China (Asia) Limited:

	Branch Name	Branch Address
Hong Kong Island...........	Queen's Road Central Branch	122-126 Queen's Road Central, Central
	Wan Chai Road Branch	G/F, 103-103A Wan Chai Road
	Quarry Bay Branch	G/F, 1036-1040 King's Road, Quarry Bay
Kowloon.........................	Tsim Sha Tsui Branch	Shop 1 & 2, G/F, No. 35 - 37 Hankow Road, Tsimshatsui
	Mongkok Branch	G/F., Belgian Bank Building, 721-725 Nathan Road, Mongkok
	Hung Hom Branch	Shop 2A, G/F, Hung Hom Shopping Mall, 2-34E Tak Man Street, Hung Hom
	Kwun Tong Branch	Shop 5 & 6, 1/F, Crocodile Center, 79 Hoi Yuen Road, Kwun Tong
New Territories..............	Tsuen Wan Castle Peak Road Branch	G/F., 423-427 Castle Peak Road, Tsuen Wan

or any of the following branches of Bank of China (Hong Kong) Limited:

	Branch Name	Branch Address
Hong Kong Island	Bank of China Tower Branch	3/F, 1 Garden Road
	Central District (Wing On House) Branch	71 Des Voeux Road Central
	North Point (Kiu Fai Mansion) Branch	413-415 King's Road, North Point
Kowloon	Kwun Tong Branch	20-24 Yue Man Square, Kwun Tong
	Yau Ma Tei Branch	471 Nathan Road, Yau Ma Tei
	Mong Kok Branch	589 Nathan Road, Mong Kok
New Territories	Lucky Plaza Branch	Lucky Plaza, Wang Pok Street, Shatin
	Castle Peak Road (Yuen Long) Branch	162 Castle Peak Road, Yuen Long

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Wednesday, 9 June 2010 until 12:00 noon on Monday, 14 June 2010 from:

(1) the Depository Counter of HKSCC at 2nd Floor, Vicwood Plaza, 199 Des Voeux Road Central, Hong Kong; or

(2) your stockbroker, who may have such Application Forms and this prospectus available.

How to complete the Application Form

There are detailed instructions on each Application Form. You should read these instructions carefully. If you do not follow these instructions your application may be rejected and returned by ordinary post together with the accompanying cheque(s) or banker's cashier order(s) to you (or the first-named applicant in the case of joint applicants) at your own risk to the address stated in the Application Form.

You should note that, by completing and submitting the Application Form, you (and if you are joint applicants, each of you jointly and severally), for yourself or as agent or nominee and on behalf of each person for whom you act as agent or nominee, among other things:

(i) you confirm that you have only relied on the information and representations in this prospectus in making your application and will not rely on any other information and representations save as set out in any supplement to this prospectus;

(ii) you agree that we, the Joint Global Coordinators, the Hong Kong Underwriters and any of our or their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering are liable only for the information and representations contained in this prospectus and any supplement thereto;

(iii) you undertake and confirm that you (if the application is made for your benefit) or the person(s) for whose benefit you have made the application (if any) have not indicated an interest for, applied for or taken up any International Offer Shares or otherwise participated in the International Placing; and

(iv) you agree to disclose to our Company and/or our Hong Kong Share Registrar, the receiving bankers, the Joint Global Coordinators, the Hong Kong Underwriters and their respective advisors and agents personal data and any information which they require about you or the person(s) for whose benefit you have made the application (if any).

In order for the **YELLOW** Application Forms to be valid:

you, as the applicant, must complete the Application Form as indicated below and sign on the first page of the Application Form. Only written signatures will be accepted.

(i) **If the application is made through a designated CCASS Participant (other than a CCASS Investor Participant):**

(a) the designated CCASS Participant must endorse the form with its company chop (bearing its company name) and insert its participant I.D. in the appropriate box in the Application Form.

(ii) **If the application is made by an individual CCASS Investor Participant:**

(a) the Application Form must contain the CCASS Investor Participant's name and Hong Kong identity card number; and

(b) the participant I.D. must be inserted in the appropriate box in the Application Form.

(iii) **If the application is made by a joint individual CCASS Investor Participant:**

(a) the Application Form must contain all joint CCASS Investor Participants' names and the Hong Kong identity card number of all joint CCASS Investor Participants; and

(b) the participant I.D. must be inserted in the appropriate box in the Application Form.

(iv) **If the application is made by a corporate CCASS Investor Participant:**

(a) the Application Form must contain the corporate CCASS Investor Participant's company name and Hong Kong business registration number; and

(b) the participant I.D. and company chop (bearing its company name) must be inserted in the appropriate box in the Application Form.

Incorrect or incomplete details of the CCASS Participant or the omission or inadequacy of participant I.D. and/or company chop bearing its company name or other similar matters may render the application invalid.

If your application is made through a duly authorized attorney, we and the Joint Global Coordinators or their respective agents and nominees as our agents may accept your application at our/their discretion, and subject to any conditions we/they think fit, including production of evidence of the authority of your attorney. We, the Joint Global Coordinators and the **White Form eIPO** Service Provider or their respective agents and nominees in their capacity as our agents, will have full discretion to reject or accept any application, in full or in part, without assigning any reason.

How to make payment for the application

Each completed **WHITE** or **YELLOW** Application Form must be accompanied by either one cheque or one banker's cashier order, which must be stapled to the top left hand corner of the Application Form.

If you pay by cheque, the cheque must:

- be in Hong Kong dollars;
- not be post-dated;
- be drawn on your Hong Kong dollar bank account with a licensed bank in Hong Kong;
- show your account name. This name must either be pre-printed on the cheque, or be endorsed at the back by a person authorized by the bank. This account name must correspond with your name. If it is a joint application, the account name must be that of the first-named applicant;
- be made payable to "ICBC (ASIA) NOMINEE LIMITED — CHINA LIANSU PUBLIC OFFER"; and
- be crossed "Account Payee Only".

If the cheque is drawn on a joint account, one of the joint account names must be the same as the name of the first-named applicant.

Your application will be rejected if your cheque does not meet all of these requirements or is dishonored on its first presentation.

If you pay by banker's cashier order, the banker's cashier order must:

- be issued by a licensed bank in Hong Kong, be in Hong Kong dollars, and have your name certified on the back by a person authorized by the bank. The name on the banker's cashier order and the name on the Application Form must be the same.
- If the application is a joint application, the name on the back of the banker's cashier order must be the same as the name of the first-named applicant;
- be made payable to "ICBC (ASIA) NOMINEE LIMITED — CHINA LIANSU PUBLIC OFFER";
- be crossed "Account Payee Only"; and
- not be post-dated.

Your application will be rejected if your banker's cashier order does not meet all of these requirements.

The right is reserved to present all or any remittance for payment. However, your cheque or banker's cashier order will not be presented for payment before 12:00 noon on Monday, 14 June 2010. We will not give you a receipt for your payment. We will keep any interest accrued on your application monies (up until, in the case of monies to be refunded, the date of despatch of refund cheque). The right is also reserved to retain any Share certificates and/or any surplus application monies or refunds pending clearance of your cheque or banker's cashier order.

How many applications you may make

Please refer to the section headed "Terms and Conditions of the Hong Kong Public Offering — How many applications you can make" in this prospectus.

Members of the public — time for applying for Hong Kong Public Offer Shares

Completed **WHITE** or **YELLOW** Application Forms, together with payment attached, must be lodged by 12:00 noon on Monday, 14 June 2010, or, if the application lists are not open on that day, then by 12:00 noon on the next day the lists are open.

Your completed **WHITE** or **YELLOW** Application Form, with full payment in Hong Kong dollars attached, should be deposited in the special collection boxes provided at any of the branches of Industrial and Commercial Bank of China (Asia) Limited or Bank of China (Hong Kong) Limited listed under the section headed "Where to collect the Application Forms" above at the specified times on the following dates:

Wednesday, 9 June 2010 — 9:00 a.m. to 5:00 p.m.
Thursday, 10 June 2010 — 9:00 a.m. to 5:00 p.m.
Friday, 11 June 2010 — 9:00 a.m. to 5:00 p.m.
Saturday, 12 June 2010 — 9:00 a.m. to 1:00 p.m.
Monday, 14 June 2010 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Monday, 14 June 2010.

No proceedings will be taken on applications for the Hong Kong Public Offer Shares and no allotment of any such Hong Kong Public Offer Shares will be made until after the closing of the application lists.

Effect of bad weather on the opening of the application lists

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or

- a "black" rainstorm warning signal

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, 14 June 2010. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

For the purpose of this section, business day means a day that is not a Saturday, Sunday or public holiday in Hong Kong.

Results of allocations

We expect to announce the Offer Price, the level of applications in the Hong Kong Public Offering, the level of indications of interest in the International Placing and the basis of allocation of the Hong Kong Public Offer Shares on Tuesday, 22 June 2010 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) or on our website at **www.liansu.com** and the website of the Stock Exchange at **www.hkexnews.hk.**

The results of allocations, including the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants (where appropriate) under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- Results of allocations for the Hong Kong Public Offering will be available from our designated results of allocations website at **www.iporesults.com.hk** on a 24-hour basis from 8:00 a.m. on Tuesday, 22 June 2010 to 12:00 midnight on Monday, 28 June 2010. The user will be required to key in the Hong Kong identity card/passport/Hong Kong business registration number provided in his/her/its application to search for his/her/its own allocation result;

- Results of allocations will be available from our Hong Kong Public Offering allocation results telephone enquiry line. Applicants may find out whether or not their applications have been successful and the number of Hong Kong Public Offer Shares allocated to them, if any, by calling 2862 8669 between 9:00 a.m. and 10:00 p.m. from Tuesday, 22 June 2010 to Friday, 25 June 2010;

- Special allocation results booklets setting out the results of allocations will be available for inspection during opening hours of individual branches and sub-branches from Tuesday, 22 June 2010 to Thursday, 24 June 2010 at all the receiving bank branches and sub-branches at the addresses set out in the paragraph headed “How to Apply for the Hong Kong Public Offer Shares — Where to collect the Application Forms” of this prospectus.

- Results of allocations for the Hong Kong Public Offering can be found in the announcement to be posted on the Company’s website at **www.liansu.com** and the website of the Stock Exchange at **www.hkexnews.hk** on Tuesday, 22 June 2010.

Despatch/collection of Share certificates/e-Refund payment instructions/refund cheques if you apply using a WHITE or YELLOW Application Form

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the initial price per Hong Kong Public Offer Share (excluding the brokerage, the SFC transaction levy and the Stock Exchange trading fee thereon) paid on application, or if the conditions of the Global Offering are not fulfilled in accordance with the section headed “Structure and Conditions of the Global Offering — Conditions of the Hong Kong Public Offering” or if any application is revoked or any allocation pursuant thereto has become void, the application monies, or the appropriate portion thereof, together with the related brokerage, the SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest. It is intended that special efforts will be made to avoid any undue delay in refunding application monies where appropriate.

You will receive one Share certificate for all the Hong Kong Public Offer Shares issued to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC where the Share certificates will be deposited into CCASS as described below).

The Company will not issue temporary document of title. No receipt will be issued for sums paid on application but, subject to personal collection as mentioned below, in due course, these will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on your application:

(a) (i) Share certificates for all the Hong Kong Public Offer Shares applied for, if the application is wholly successful; or (ii) Share certificates for the number of Hong Kong Public Offer Shares successfully applied for, if the application is partially successful (except for wholly successful and partially successful applicants on **YELLOW** Application Forms whose Share certificates will be deposited into CCASS as described below); and/or

(b) refund cheque(s) crossed “Account Payee Only” in favor of the applicant on **WHITE** or **YELLOW** Application Forms (or, in the case of joint applicants, the first-named applicant) for (i) the surplus application monies for the Hong Kong Public Offer Shares unsuccessfully applied for, if the application is partially unsuccessful; or (ii) all the application monies, if the application is wholly unsuccessful; and/or (iii) the difference between the Offer Price and the initial price per Hong Kong Public Offer Share paid on application in the event that the Offer Price is less than the price per Hong Kong Public Offer Share paid by you, in each case including the brokerage of 1%, the SFC transaction levy of 0.004% and the Stock Exchange trading fee of 0.005%, attributable to such refund/surplus monies but without interest.

Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of or may invalidate your refund cheque.

Subject to personal collection as mentioned below, refund cheques for surplus application monies (if any) in respect of wholly and partially unsuccessful applications under **WHITE** and **YELLOW** Application Forms and Share certificates for successful applicants under **WHITE** Application Forms are expected to be posted on or before Tuesday, 22 June 2010. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of cheque(s).

(a) If you apply using a WHITE Application Form:

- If you have applied for 1,000,000 or more Hong Kong Public Offer Shares on a **WHITE** Application Form and have indicated on your Application Form that you wish to collect Share certificate(s) (where applicable) and/or refund cheque(s) (where applicable) in person and have provided all information required by your Application Form, you may collect them in person from Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong between 9:00 a.m. and 1:00 p.m. on the date notified by us in the South China Morning Post (in English), and the Hong Kong Economic Times (in Chinese) as the date of despatch of Share certificates/e-Refund payment instructions/refund cheque(s).

- If you are an individual who has applied for 1,000,000 Hong Kong Public Offer Shares or more and who has opted for personal collection, you must not authorize any other person to make collection on your behalf. You must produce your identification documents (which must be acceptable to Computershare Hong Kong Investor Services Limited) to collect Share certificate(s). If you are a corporate applicant who has opted for personal collection, you must attend by your authorized representative bearing a letter of authorization from your corporation stamped with your corporation's chop. Such authorized representatives must produce, at the time of collection, evidence of identity acceptable to Computershare Hong Kong Investor Services Limited.

- If you do not collect your refund cheque(s) (where applicable) and/or Share certificate(s) (where applicable) within the time specified for collection, they will be promptly sent to the address specified on your Application Form on the date of despatch by ordinary post and at your own risk.

If you have applied for 1,000,000 or more Hong Kong Public Offer Shares but have not indicated on your Application Form that you wish to collect your Share certificate(s) and/or refund cheque(s) (if any) in person, or you have applied for less than 1,000,000 Hong Kong Public Offer Shares or if your application is rejected, not accepted or accepted in part only, or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the section headed "Structure and Conditions of the Global Offering — Conditions of the Hong Kong Public Offering," or if your application is revoked or any allotment pursuant thereto has become void, your Share certificate(s) (where applicable) and/or refund cheque(s) (where applicable) in respect of the application monies or the appropriate parties thereof, together with the related brokerage, the Stock Exchange trading fee, the SFC transaction levy, if any, (without interest) will be sent to the address specified on your Application Form on the date of despatch by ordinary post and at your own risk.

Share certificates will only become valid certificates of title which is expected to be around 8:00 a.m. on Wednesday, 23 June 2010 provided that:

(i) the Hong Kong Public Offering has become unconditional in all respects;

(ii) the Hong Kong Public Offer Shares allocated to you have been issued and allocated or transferred to you on the register of members of our Company in Hong Kong; and

(iii) neither of the Underwriting Agreements has been terminated in accordance with its terms.

(b) If you apply using a YELLOW Application Form:

If you apply for Hong Kong Public Offer Shares using a **YELLOW** Application Form and your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant as instructed by you in your Application Form at the close of business on Tuesday, 22 June 2010, or in the event of contingency, on any other date as shall be determined by HKSCC or HKSCC Nominees.

If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant) for Hong Kong Public Offer Shares credited to the stock account of your designated CCASS Participant (other than a CCASS Investor Participant), you can check the number of Hong Kong Public Offer Shares allocated to you with that CCASS Participant.

If you are applying as a CCASS Investor Participant, we expect to publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering, on the website of the Stock Exchange at **www.hkexnews.hk** and the Company's website at **www.liansu.com,** in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on Tuesday, 22 June 2010. You should check the announcement published by us and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 22 June 2010 or such other date as shall be determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Public Offer Shares to your CCASS Investor Participant stock account, you can check the number of Hong Kong Public Offer Shares allocated to you via the CCASS Phone System and the CCASS Internet

System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC will also make available to you an activity statement showing the number of Hong Kong Public Offer Shares credited to your CCASS Investor Participant stock account.

If you apply for 1,000,000 Hong Kong Public Offer Shares or more and you have elected on your **YELLOW** Application Form to collect your refund cheque(s) (if any) in person, please follow the same instructions as those for **WHITE** Application Form applicants as described above.

If you have applied for 1,000,000 Hong Kong Public Offer Shares or more and have not indicated on your Application Forms that you will collect your refund cheque(s) (if any) in person, or you do not collect your refund cheque(s) (if any) in person within the time specified for its collection where you have indicated on your **YELLOW** Application Form that you wish to collect such in person, or you have applied for less than 1,000,000 Hong Kong Public Offer Shares or if your application is rejected, not accepted or accepted in part only, or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the section headed "Structure and Conditions of the Global Offering — Conditions of the Hong Kong Public Offering," or if your application is revoked or any allotment pursuant thereto has become void, your refund cheque(s) (where applicable) in respect of the application monies or the appropriate parties thereof, together with the related brokerage, the Stock Exchange trading fee, the SFC transaction levy, if any, (without interest) will be sent to the address on your Application Form on Tuesday, 22 June 2010 by ordinary post and at your own risk.

II. Applying by using White Form eIPO

(i) You may apply through **White Form eIPO** by submitting an application through the designated website at **www.eipo.com.hk**. If you apply through **White Form eIPO** the Shares will be issued in your own name.

(ii) Detailed instructions for application through the **White Form eIPO** service are set out on the designated website at **www.eipo.com.hk**. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected by the designated **White Form eIPO** Service Provider and may not be submitted to our Company.

(iii) The designated **White Form eIPO** Service Provider may impose additional terms and conditions upon you for the use of the **White Form eIPO** service. Such terms and conditions are set out on the designated website at **www.eipo.com.hk**. You will be required to read, understand and agree to such terms and conditions in full prior to making any application.

(iv) By submitting an application to the designated **White Form eIPO** Service Provider through the **White Form eIPO** service, you are deemed to have authorized the designated **White Form eIPO** Service Provider to transfer the details of your application to our Company and our Hong Kong Share Registrar.

(v) You may submit an application through the **White Form eIPO** service in respect of a minimum of 1,000 Hong Kong Public Offer Shares. Each **electronic application instruction** in respect of more than 1,000 Hong Kong Public Offer Shares must be in one of the numbers set out in the table in the Application Forms, or as otherwise specified on the designated website at **www.eipo.com.hk**.

(vi) You should give **electronic application instructions** through **White Form eIPO** at the times set out in the paragraph headed "Members of the public — Time for applying for the Hong Kong Public Offer Shares by using **White Form eIPO**."

(vii) You should make payment for your application made by **White Form eIPO** service in accordance with the methods and instructions set out in the designated website at **www.eipo.com.hk**. If you do not make complete payment of the application monies (including the brokerage, the Stock Exchange trading fee, and the SFC transaction levy) on or before 12:00 noon on Monday, 14 June 2010, or such later time as described under the paragraph headed "Effect of bad weather on the opening of the application lists," the designated **White Form eIPO** Service Provider will reject your application and your application monies will be returned to you in the manner described in the designated website at **www.eipo.com.hk**.

(viii) Warning: The application for Hong Kong Public Offer Shares through the **White Form eIPO** service is only a facility provided by the designated **White Form eIPO** Service Provider to public investors. Our Company, our Directors, the Joint Global Coordinators and the Hong Kong Underwriters take no responsibility for such applications, and provide no assurance that applications through the **White Form eIPO** service will be submitted to our Company or that you will be allotted any Hong Kong Public Offer Shares.

Environmental Protection

The obvious advantage of **White Form eIPO** is to save the use of papers via the self-serviced and electronic application process. As environmental protection is part of Computershare's Corporate Social Responsibility Program, Computershare Hong Kong Investor Services Limited will contribute HK$2 for each "CHINA LIANSU GROUP HOLDINGS LIMITED" **White Form eIPO** application submitted via **www.eipo.com.hk** to support the funding of "Source of DongJiang — Hong Kong Forest" project initiated by Friends of the Earth (HK).

Please note that internet services may have capacity limitations and/or be subject to service interruptions from time to time. To ensure that you can submit your applications through the **White Form eIPO** service, you are advised not to wait until the last day for submitting applications in the Hong Kong Public Offering to submit your **electronic application instructions**. In the event that you have problems connecting to the designated website for the **White Form eIPO** service, you should submit a **WHITE** Application Form. However, once you have submitted **electronic application instructions** and completed payment in full using the application reference number provided to you on the designated website, you will be deemed to have made an actual application and should not submit a **WHITE** Application Form. Please see the paragraph headed "How many applications you may make" above.

Members of the public — Time for applying for the Hong Kong Public Offer Shares by using White Form eIPO

You may submit your application to the designated **White Form eIPO** Service Provider through the designated website at **www.eipo.com.hk** from 9:00 a.m. on Wednesday, 9 June 2010 until 11:30 a.m. on Monday, 14 June 2010 or such later time as described under the paragraph headed "Effect of bad weather on the opening of the application" under this section below (24 hours daily, except on the last application day). The latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Monday, 14 June 2010, the last application day, or, if the application lists are not open on that day, then by the time and date stated in "Effect of bad weather on the opening of the application lists."

Effect of bad weather on the opening of the application lists

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning signal

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, 14 June 2010. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

For the purpose of this section, business day means a day that is not a Saturday, Sunday or public holiday in Hong Kong.

Results of allocations

We expect to announce the Offer Price, the level of applications in the Hong Kong Public Offering, the level of indications of interest in the International Placing and the basis of allocation of the Hong Kong Public Offer Shares on Tuesday, 22 June 2010 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) or on our website at **www.liansu.com** and the website of the Stock Exchange at **www.hkexnews.hk.**

The results of allocations, including the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants (where appropriate) under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- Results of allocations for the Hong Kong Public Offering will be available from our designated results of allocations website at **www.iporesults.com.hk** on a 24-hour basis from 8:00 a.m. on Tuesday, 22 June 2010 to 12:00 midnight on Monday, 28 June 2010. The user will be required to key in the Hong Kong identity card/passport/Hong Kong business registration number provided in his/her/its application to search for his/her/its own allocation result;
- Results of allocations will be available from our Hong Kong Public Offering allocation results telephone enquiry line. Applicants may find out whether or not their applications have been successful and the number of Hong Kong Public Offer Shares allocated to them, if any, by calling 2862 8669 between 9:00 a.m. and 10:00 p.m. from Tuesday, 22 June 2010 to Friday, 25 June 2010;

- Special allocation results booklets setting out the results of allocations will be available for inspection during opening hours of individual branches and sub-branches from Tuesday, 22 June 2010 to Thursday, 24 June 2010 at all the receiving bank branches and sub-branches at the addresses set out in the paragraph headed "How to Apply for the Hong Kong Public Offer Shares — Where to collect the Application Forms" of this prospectus.

- Results of allocations for the Hong Kong Public Offering can be found in the announcement to be posted on the Company's website at **www.liansu.com** and the website of the Stock Exchange at **www.hkexnews.hk** on Tuesday, 22 June 2010.

You will not be permitted to submit your application to the designated White Form eIPO Service Provider through the designated website at www.eipo.com.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

Despatch/collection of Share certificates/e-Refund payment instructions/refund cheques if you apply using a White Form eIPO

If you apply for 1,000,000 Hong Kong Public Offer Shares or more through the **White Form eIPO** service by submitting an electronic application to the designated **White Form elPO** Service Provider through the designated website at **www.eipo.com.hk** and your application is wholly or partially successful, you may collect your Share certificate(s) (where applicable) in person from Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Tuesday, 22 June 2010, or such other date as notified by our Company in the newspapers as the date of dispatch/collection of Share certificates/e-Refund payment instructions/refund cheques. If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions to the designated **White Form eIPO** Service Provider promptly thereafter by ordinary post and at your own risk.

If you apply for less than 1,000,000 Hong Kong Public Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions to the designated **White Form eIPO** Service Provider through the designated website at **www.eipo.com.hk** on Tuesday, 22 June 2010, by ordinary post and at your own risk.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions to the designated **White Form eIPO** Service Provider promptly thereafter by ordinary post and at your own risk.

If you paid the application monies from a single bank account, e-Refund payment instructions (if any) will be despatched to your application payment bank account on Tuesday, 22 June 2010.

If you used multi-bank accounts to pay the application monies, refund cheque (if any) will be despatched to the address specified in your application instructions to the designated **White Form eIPO** Service Provider on Tuesday, 22 June 2010, by ordinary post and at your own risk.

Please also note the additional information relating to refund of application monies overpaid, application money underpaid or applications rejected by the designated **White Form eIPO** Service Provider set out in the section headed "Terms and Conditions of the Hong Kong Public Offering — 9. Additional information for applicants applying through White Form eIPO" in this prospectus.

III. Applying by giving electronic application instructions to HKSCC

General

CCASS Participants may give **electronic application instructions** via CCASS to HKSCC to apply for the Hong Kong Public Offer Shares and to arrange payment of the monies due on application and payment of refunds. This will be in accordance with their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (https://ip.ccass.com) (using the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
2nd Floor Vicwood Plaza
199 Des Voeux Road Central
Hong Kong

and complete an input request form.

Prospectuses are available for collection from the above address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Public Offer Shares on your behalf.

You are deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application, whether submitted by you or through your broker or custodian, to us and to the Hong Kong Share Registrar.

You may give **electronic application instructions** in respect of a minimum of 1,000 Hong Kong Public Offer Shares. Each **electronic application instruction** in respect of more than 1,000 Hong Kong Public Offer Shares must be in one of the numbers set out in the table in the Application Form.

Effect of giving electronic application instructions to HKSCC

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to us or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Public Offer Shares on your behalf;

- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, the brokerage of 1%, the SFC transaction levy of 0.004% and the Stock Exchange trading fee of 0.005% by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or the Offer Price is less than the initial price per Hong Kong Public Offer Share paid on application, refund of the application monies, in each case including the brokerage of 1%, the SFC transaction levy of 0.004% and the Stock Exchange trading fee of 0.005%, by crediting your designated bank account; and

- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things which it is stated to do on your behalf in the **WHITE** Application Form.

Multiple applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Public Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purpose of considering whether multiple applications have been made. No application for any other number of Hong Kong Public Offer Shares will be considered and any such application is liable to be rejected.

Minimum subscription amount and permitted numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** in respect of a minimum of 1,000 Hong Kong Public Offer Shares. Such instructions in respect of more than 1,000 Hong Kong Public Offer Shares must be in one of the numbers set out in the table in the Application Forms.

Time for inputting electronic application instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the specified times on the following dates:

Wednesday, 9 June 2010 — 9:00 a.m. to 8:30 p.m.(1)
Thursday, 10 June 2010 — 8:00 a.m. to 8:30 p.m.(1)
Friday, 11 June 2010 — 8:00 a.m. to 8:30 p.m.(1)
Saturday, 12 June 2010 — 8:00 a.m. to 1:00 p.m.(1)
Monday, 14 June 2010 — 8:00 a.m.(1) to 12:00 noon

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Wednesday, 9 June 2010 until 12:00 noon on Monday, 14 June 2010 (24 hours daily, except the last application day).

Effect of bad weather on the last application day

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Monday, 14 June 2010, the last application day. If:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning signal

is in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, 14 June 2010, the last application day will be postponed to the next business day which does not have either of those warning signals in force in Hong Kong at any time between 9:00 am. and 12:00 noon on such day. If the application lists of the Hong Kong Public Offering do not open and close on Monday, 14 June 2010 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong on the other dates mentioned in the section headed "Expected Timetable," such dates mentioned in the section headed "Expected Timetable" may be affected. A press announcement will be made in such event.

Allocation of Hong Kong Public Offer Shares

For the purposes of allocating the Hong Kong Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit each such instructions is given will be treated as an applicant.

Deposit of Share certificates into CCASS and refund of application monies

- No temporary document of title will be issued. No receipt will be issued for application monies received.

- If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of the stock account of the CCASS Participant which you have instructed to give **electronic application instructions** on your behalf or your CCASS Investor Participant stock account at the close of business on Tuesday, 22 June 2010, or, in the event of a contingency, on any other date as shall be determined by HKSCC or HKSCC Nominees.

- We expect to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, we will include information relating to the relevant beneficial owner, where supplied) on Tuesday, 22 June 2010 in the manner described above in the paragraph headed "Results of allocations." You should check the announcement published by us and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 22 June 2010 or such other date as shall be determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Public Offer Shares allocated to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Tuesday, 22 June 2010. Immediately following the credit of the Hong Kong Public Offer Shares to your CCASS Investor Participant stock account and the credit of refund monies to your designated bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the initial price per Hong Kong Public Offer Share paid on application, in each case including the brokerage of 1%, the SFC transaction levy of 0.004% and the Stock Exchange trading fee of 0.005%, will be credited to your designated bank account or the designated bank account of your broker or custodian on Tuesday, 22 June 2010. No interest will be paid thereon.

Section 40 of the Companies Ordinance

For the avoidance of doubt, we and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies Ordinance (as applied by Section 342E of the Companies Ordinance).

Personal data

The section of the Application Form entitled "Personal Data" applies to any personal data held by us, our Hong Kong Share Registrar, receiving bankers, the Joint Global Coordinators, the Hong Kong Underwriters and any of their respective advisors and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

Warning

The subscription of the Hong Kong Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. We, the Directors, the Joint Sponsors, the Joint Global Coordinators and the Hong Kong Underwriters take no responsibility for the application and provide no assurance that any CCASS Participant will be allotted any Hong Kong Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions** to HKSCC through the CCASS Phone System or the CCASS Internet System, CCASS Investor Participants are advised not to wait until the last minute to input their **electronic application instructions** to the systems. In the event that CCASS Investor Participants have problems connecting to the CCASS Phone System or the CCASS Internet System to submit their **electronic application instructions,** they should either: (i) submit a **WHITE** or **YELLOW** Application Form; or (ii) go to HKSCC's Customer Service Center to complete an input request form for **electronic application instructions** before 12:00 noon on Monday, 14 June 2010.

IV. How much are the Hong Kong Public Offer Shares

The maximum offer price is HK$3.50 per Hong Kong Public Offer Share. You must also pay the brokerage of 1%, the SFC transaction levy of 0.004% and the Stock Exchange trading fee of 0.005% in full. This means that for one board lot of 1,000 Hong Kong Public Offer Shares you will pay HK$3,535.32. The Application Forms have tables showing the exact amount payable for certain numbers of Hong Kong Public Offer Shares up to 37,500,000 Shares.

You must pay the amount payable upon application for the Hong Kong Public Offer Shares by one cheque or one banker's cashier order in accordance with the terms set out in the Application Form or this prospectus (if you apply by an Application Form). Please refer also to the paragraph headed "How to make payment for the application" of this section.

If your application is successful, brokerage is paid to participants of the Stock Exchange or the Stock Exchange (as the case may be), the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

V. Refund of application monies

If you do not receive any Hong Kong Public Offer Shares for any reason, we will refund your application monies, including the brokerage of 1%, the SFC transaction levy of 0.004% and the Stock Exchange trading fee of 0.005%. No interest will be paid thereon.

If your application is accepted only in part, we will refund the appropriate portion of your application monies, including the related brokerage of 1%, the SFC transaction levy of 0.004% and the Stock Exchange trading fee of 0.005%, without interest.

If the Offer Price as finally determined is less than the maximum Offer Price (excluding the brokerage of 1%, the SFC transaction levy of 0.004% and the Stock Exchange trading fee of 0.005% thereon) paid on application, we will refund the surplus application monies, together with the related brokerage of 1%, the SFC transaction levy of 0.004% and the Stock Exchange trading fee of 0.005%, without interest. All interest accrued on such monies prior to the date of despatch of refund cheques or e-Refund payment instructions will be retained for the benefit of our Company.

e-Refund payment instructions/refund cheques for surplus application monies (if any) under **WHITE** or **YELLOW** Application Forms or **White Form eIPO** and Share certificates for successful applicants under **WHITE** Application Forms and **White Form eIPO** are expected to be posted and/or available for collection (as the case may be) on Tuesday, 22 June 2010.

For further information on arrangements for the despatch/collection of Share certificates and refunds of application monies, please refer to the section headed "Terms and Conditions of the Hong Kong Public Offering — Refund of Your Application Monies — Additional Information." in this prospectus.

VI. Dealings and settlement

Commencement of dealings in our Shares

Dealings in our Shares on the Stock Exchange are expected to commence on Wednesday, 23 June 2010. Our Shares will be traded in board lots of 1,000 Shares each. The stock code of our Shares is 2128.

Shares will be eligible for admission into CCASS

If the Stock Exchange grants the listing of, and permission to deal in, our Shares and we comply with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in our Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made for our Shares to be admitted into CCASS.

1. GENERAL

(a) If you apply for the Hong Kong Public Offer Shares in the Hong Kong Public Offering, you will be agreeing with our Company and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) on the terms as set out below.

(b) If you electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for the Hong Kong Public Offer Shares on your behalf, you will have authorized HKSCC Nominees to apply on the terms and conditions set out below, as supplemented and amended by the terms and conditions applicable to the relevant application method.

(c) If you give **electronic application instructions** to the **White Form eIPO** Service Provider through the designated website at **www.eipo.com.hk,** you will have authorized the **White Form eIPO** Service Provider to apply on the terms and conditions set out below, as supplemented and amended by the terms and conditions applicable to the **White Form eIPO** service.

(d) In this section, references to "you," "applicants," "joint applicants" and other like references shall, if the context so permits, include references to both nominees and principals on whose behalf HKSCC Nominees or the **White Form eIPO** Service Provider is applying for the Hong Kong Public Offer Shares; and references to the making of an application shall, if the context so permits, include references to making applications electronically by giving instructions to HKSCC or by giving an application to the **White Form eIPO** Service Provider through the designated website for the **White Form eIPO** service.

(e) Applicants should read this prospectus carefully, including other terms and conditions of the Hong Kong Public Offering, the paragraph headed "The Hong Kong Public Offering" in the section headed "Structure and Conditions of the Global Offering" and in the section headed "How to Apply for the Hong Kong Public Offer Shares" in this prospectus and the terms and conditions set out in the relevant Application Forms or imposed by HKSCC and/or the **White Form eIPO** Service Provider (as the case may be) prior to making an application for the Hong Kong Public Offer Shares.

2. OFFER TO PURCHASE THE HONG KONG PUBLIC OFFER SHARES

(a) You offer to purchase from our Company at the Offer Price the number of the Hong Kong Public Offer Shares indicated in your Application Form (or any smaller number in respect of which your application is accepted) on the terms and conditions set out in this prospectus and the relevant Application Form.

(b) For applicants using Application Forms, a refund cheque in respect of the surplus application monies (if any) representing the Hong Kong Public Offer Shares applied for but not allocated to you and representing the difference (if any) between the final Offer Price and the maximum Offer Price (including the brokerage of 1%, the SFC transaction levy of 0.004% and the Stock Exchange trading fee of 0.005% attributable thereto), is expected to be sent to you at your own risk to the address stated on your Application Form by ordinary post. Details of the procedure for refunds relating to each of the Hong Kong Public Offering methods are contained below in the paragraphs headed "If your application for the Hong Kong Public Offer Shares is successful (in whole or in part)" and "Refund of your application monies-additional information" in this section.

(c) Any application may be rejected in whole or in part.

(d) Applicants under the Hong Kong Public Offering should note that in no circumstances (save for those provided under section 40 of the Companies Ordinance) can applications be withdrawn once submitted. For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives, or causes to give, **electronic application instructions** to HKSCC via CCASS is a person who may be entitled to compensation under section 40 of the Companies Ordinance.

3. ACCEPTANCE OF YOUR OFFER

(a) The Hong Kong Public Offer Shares will be allocated after the application lists close. Our Company expects to announce the Offer Price, the level of applications in the Hong Kong Public Offering, the level of indications of interest in the International Placing and the basis of allocation of the Hong Kong Public Offer Shares in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the websites of the Stock Exchange at **www.hkexnews.hk** and our Company at **www.liansu.com** on or before Tuesday, 22 June 2010.

(b) The results of allocations of the Hong Kong Public Offer Shares under the Hong Kong Public Offering, including the Hong Kong identity card numbers, passport numbers or Hong Kong business registration numbers (where applicable) of successful applicants (where supplied) and the number of Hong Kong Public Offer Shares successfully applied for, will be made available on Tuesday, 22 June 2010 in the manner described in the paragraph headed "Results of allocations" in the section headed "How to Apply for the Hong Kong Public Offer Shares" in this prospectus.

(c) Our Company may accept your offer to purchase (if your application is received, valid, processed and not rejected) by announcing the basis of allocations and/or making available the results of allocations publicly.

(d) If our Company accepts your offer to purchase (in whole or in part), there will be a binding contract under which you will be required to purchase the Hong Kong Public Offer Shares in respect of which your offer has been accepted if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed "Structure and Conditions of the Global Offering" in this prospectus.

(e) You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

4. HOW MANY APPLICATIONS YOU CAN MAKE

(a) You may make more than one application for the Hong Kong Public Offer Shares only if:

- You are a nominee, in which case you may make an application as a nominee by:

  (i) giving **electronic application instructions** to HKSCC via CCASS (if you are a CCASS Participant); and (ii) using a **WHITE** or **YELLOW** Application Form and lodging more than one Application Form in your own name on behalf of different beneficial owners. In the box on the **WHITE** or **YELLOW** Application Form marked "For nominees" you must include:

  — an account number; or

  — some other identification code,

  for each beneficial owner or, in the case of joint beneficial owners, for each such joint beneficial owner). If you do not include this information, the application will be deemed to be made for your own benefit.

Otherwise, multiple applications are liable to be rejected.

(b) All of your applications under the Hong Kong Public Offering (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**) will be rejected as multiple applications if you, or you and your joint applicants together or any of your joint applicants:

- make more than one application whether individually or jointly with others on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC via CCASS (if you are a CCASS Investor Participant or applying through a CCASS Clearing or Custodian Participant) or to the **White Form eIPO** Service Provider through the **White Form eIPO** service;

- apply (whether individually or jointly) on one **WHITE** Application Form and one **YELLOW** Application Form or on one **WHITE** or **YELLOW** Application Form and give **electronic application instructions** to HKSCC or to the **White Form eIPO** service provider via the **White Form eIPO** service (**www.eipo.com.hk**);

- apply on one **WHITE** or **YELLOW** Application Form (whether individually or jointly) or by giving **electronic application instructions** to HKSCC via CCASS (if you are a CCASS Investor Participant or applying through a CCASS Clearing or Custodian Participant) or to the **White Form eIPO** Service Provider through the **White Form eIPO** service (**www.eipo.com.hk**) for more than 37,500,000 Hong Kong Public Offer Shares, being 50% of the Hong Kong Public Offer Shares initially offered for public subscription under the Hong Kong Public Offering; or

- have applied for or taken up, or indicated an interest in applying for or taking up or have been or will be placed (including conditionally and/or provisionally) any International Offer Shares under the International Placing.

If you apply by means of **White Form eIPO,** once you complete payment in respect of any **electronic application instruction** given by you or for your benefit to the **White Form eIPO** Service Provider to make an application for Hong Kong Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **White Form eIPO** more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service by giving **electronic application instructions** to the **White Form eIPO** Service Provider through the designated website and completing payment in respect of such **electronic application instructions,** or of submitting one application through the **White Form eIPO** service and one or more applications by any other means, all of your applications are liable to be rejected.

(c) All of your applications for the Hong Kong Public Offer Shares are liable to be rejected as multiple applications if more than one application is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions).** If an application is made by an unlisted company and: (i) the principal business of that company is dealing in securities; and (ii) you exercise statutory control over that company, then the application will be treated as being made for your benefit. Unlisted company means a company with no equity securities listed on the Stock Exchange. Statutory control in relation to a company means you: (i) control the composition of the board of directors of that company; or (ii) control more than half of the voting power of that company; or (iii) hold more than half of the issued share capital of that company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

5. EFFECT OF MAKING ANY APPLICATION

(a) By completing and submitting any Application Form, you (and if you are joint applicants, each of you jointly and severally) for yourself or as agent or nominee and on behalf of each person for whom you act as agent or nominee:

- instruct and authorize our Company, the Joint Sponsors and/or the Joint Global Coordinators (or their respective agents or nominees) to execute any transfer forms, contract notes or other documents on your behalf and to do on your behalf all other things necessary to register any Hong Kong Public Offer Shares allocated to you in your name(s) or HKSCC Nominees, as the case may be, as required by the Articles (including the registration of the Hong Kong Public Offer Shares allocated to you in your name(s) on the Company's Hong Kong register of members) and otherwise to give effect to the arrangements described in this prospectus and the relevant Application Form;
- undertake to sign all documents and to do all things necessary to enable you or HKSCC Nominees, as the case may be, to be registered as the holder of the Hong Kong Public Offer Shares allocated to you, and as required by the Articles;

- represent, warrant and undertake that you are not restricted by any applicable laws of Hong Kong or elsewhere from making this application, paying any application monies for, or being allocated or taking up any Hong Kong Public Offer Shares;

- represent and warrant that you understand that the Hong Kong Public Offer Shares have not been and will not be registered under US Securities Act and you are outside the United States when completing this Application Form, you are not a United States person (within the meaning of Regulation S) or a legal or natural person of the People's Republic of China (other than Hong Kong, Macau and Taiwan);

- confirm that you have received a copy of this prospectus and have only relied on the information and representations in this prospectus in making your application and will not rely on any other information and representations save as set forth in any supplement to this prospectus;

- agree that the Company, the Joint Sponsors, the Joint Global Coordinators and/or the Hong Kong Underwriters and their respective directors and any other parties involved in the Global Offering are liable only for the information and representations contained in this prospectus and any supplement thereto;

- agree (without prejudice to any other rights which you may have) that once your application has been accepted, you may not rescind it because of an innocent misrepresentation or other than as provided in this prospectus;

- (if the application is made for your own behalf) warrant that the application is the only application which will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC via CCASS or to the **White Form eIPO** Service Provider via the **White Form eIPO** service (**www.eipo.com.hk**);

- (if the application is made by an agent on your behalf) warrant that you have validly and irrevocably conferred on your agent all necessary power and authority to make the application;

- (if you are an agent for another person) warrant that reasonable enquiries have been made of that other person that the application is the only application which will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC via CCASS or to the **White Form eIPO** Service Provider through the **White Form eIPO** service (**www.eipo.com.hk**), and that you are duly authorized to sign the Application Form or to give **electronic application instruction** as that other person's agent;

- agree that once your application is accepted, your application will be evidenced by the announcement of the results of the Hong Kong Public Offering made available by our Company;

- undertake and confirm that you (if the application is made for your benefit) or the person(s) for whose benefit you have made the application have not applied for or taken up or indicated an interest in or received or been placed or allocated (including conditionally and/or provisionally) and will not apply for or take up or indicate any interest in any International Offer Shares in the International Placing;

- agree that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;

- warrant the truth and accuracy of the information contained in your application;

- agree to disclose to our Company, the Joint Sponsors and/or our Hong Kong Share Registrar, the receiving bankers, the Joint Global Coordinators, the Hong Kong Underwriters and their respective advisers and agents personal data and any information which they require about you or the person(s) for whose benefit you have made the application;

- agree with the Company, for itself and for the benefit of each Shareholder and so that the Company will be deemed by its acceptance in whole or in part of the application, to observe and comply with the Companies Law, the Companies Ordinance, the Articles and the relevant laws and regulations;

- agree with the Company and each Shareholders that Shares are freely transferable by the holders thereof;

- authorize the Company to enter into a contract on your behalf with each Director, officers of the Company whereby such Directors and officers undertake to observe and comply with their obligations to the Shareholders as stipulated in the Articles;

- confirm that you have read the terms and conditions and application procedures set out in this prospectus and the Application Forms and agree to be bound by them and are aware of the restrictions on the Hong Kong Public Offering described in this prospectus.

- authorize our Company to place your name(s) or the name of HKSCC Nominees, as the case may be, on the register of members of our Company as the holder(s) of any Hong Kong Public Offer Shares allocated to you, and our Company and/or its agents to send any Share certificate(s) (where applicable) and/or any refund cheque(s) (where applicable) to you or (in case of joint applicants) the first-named applicant in the Application Form by ordinary post at your own risk to the address stated on your Application Form (except that if you have applied for 1,000,000 Hong Kong Public Offer Shares or more and have indicated in your Application Form that you will collect your Share certificate(s) and/or refund cheque(s) (where applicable) in person, you can collect your Share certificate(s) and/or refund cheque(s) (where applicable) in person between 9:00 a.m. and 1:00 p.m. on Tuesday, 22 June 2010 from Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong);

- understand that these declarations and representations will be relied upon by the Company and the Joint Global Coordinators in deciding whether or not to allocate any Hong Kong Public Offer Shares in response to your application and that you may be prosecuted for making a false declaration;

- represent, warrant and undertake that the allocation of or application for the Hong Kong Public Offer Shares to you or by you or for whose benefit the application is made would not require the Company to comply with any requirements under any law or regulation (whether or not having the force of law) of any territory outside Hong Kong;

- if the laws of any place outside Hong Kong are applicable to your application, agree and warrant that you have complied with all such laws and none of the Company, the Joint Sponsors, the Joint Global Coordinators, the Hong Kong Underwriters, the other parties involved in the Global Offering nor any of their respective directors, employees, partners, agents, officers or advisers will infringe any laws outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus;

- agree that the processing of your application may be done by the Company's receiving bankers and is not restricted to the bank of which your Application Form was lodged; and

- undertake and agree to accept Hong Kong Public Offer Shares applied for, or any lesser number allocated to you under this application.

(b) If you apply for the Hong Kong Public Offer Shares using a **YELLOW** Application Form, in addition to the confirmations and agreements referred to in (a) above you agree that:

- any Hong Kong Public Offer Shares allocated to you shall be registered in the name of HKSCC Nominees and deposited directly into CCASS operated by HKSCC for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant, in accordance with your election on the Application Form;

- each of HKSCC and HKSCC Nominees reserves the right at its absolute discretion (1) not to accept any or part of the Hong Kong Public Offer Shares allocated to you registered in the name of HKSCC Nominees or not to accept such allocated Hong Kong Public Offer Shares for deposit into CCASS; (2) to cause such allocated Hong Kong Public Offer Shares to be withdrawn from CCASS and transferred into your or if you are a joint applicant, to the first-named applicant's name at your own risk and costs; and (3) to cause such allocated Hong Kong Public Offer Shares to be registered in your (or if you are a joint applicant, to the first-named applicant's) name and in such a case, to post the Share certificates for such allocated Hong Kong Public Offer Shares at your own risk to the address on your Application Form by ordinary post or to make available the same for your collection;

- each of HKSCC and HKSCC Nominees may adjust the number of allotted Hong Kong Public Offer Shares issued in the name of HKSCC Nominees;

- neither HKSCC nor HKSCC Nominees shall have any liability for the information and representations not contained in this prospectus and the Application Forms;
- neither HKSCC nor HKSCC Nominees shall be liable to you in any way.

(c) In addition, by giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and if you are joint applicants, each of you jointly and severally) are deemed to do the following additional things and neither HKSCC nor HKSCC Nominees will be liable to our Company nor any other person in respect of such things:

- instruct and authorize HKSCC to cause HKSCC Nominees (acting as nominee for the CCASS Participants) to apply for the Hong Kong Public Offer Shares on your behalf;
- instruct and authorize HKSCC to arrange payment of the maximum Offer Price, the brokerage of 1%, the SFC transaction levy of 0.004% and the Stock Exchange trading fee of 0.005% thereon by debiting your designated bank account and, in the case of wholly or partly unsuccessful applications and/or if the final Offer Price is less than the maximum Offer Price of HK$3.50 per Offer Share, refund the appropriate portion of the application money by crediting your designated bank account;
- where a **WHITE** Application Form is signed by HKSCC Nominees on behalf of persons who have given **electronic application instructions** to apply for Hong Kong Public Offer Shares, HKSCC Nominees are only acting as nominees for the applicants and shall not be liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- instruct and authorize HKSCC to cause HKSCC Nominees to do on your behalf all the things which is stated to do on your behalf in the **WHITE** Application Form;
- (in addition to the confirmations and agreements set out in paragraph (a) above) instruct and authorize HKSCC to cause HKSCC Nominees to do on your behalf the following:
  - — agree that the Hong Kong Public Offer Shares to be allocated shall be registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or the stock account of the CCASS Participant who has inputted **electronic application instructions** on your behalf;
  - — undertake and agree to accept the Hong Kong Public Offer Shares in respect of which you have given **electronic application instructions** or any lesser number;
  - — undertake and confirm that you have not applied for or taken up or indicated an interest in or received or been placed is allocated (including conditionally and/or provisionally) and will not apply for or take up or indicate any interest in any International Offer Shares under the International Placing and will not otherwise participate in the International Placing;

— (if the **electronic application instructions** are given for your own benefit) declare that only one set of **electronic application instructions** has been given for your benefit;

— (if you are an agent for another person) declare that you have given only one set of **electronic application instructions** for the benefit of that other person, and that you are duly authorized to give those instructions as that other person's agent;

— understand that the above declaration will be relied upon by our Company and the Joint Global Coordinators in deciding whether or not to make any allocation of the Hong Kong Public Offer Shares in respect of the **electronic application instructions** given by you and that you may be prosecuted if you make a false declaration;

— authorize our Company to place the name of HKSCC Nominees on the register of members of our Company as the holder of the Hong Kong Public Offer Shares allocated in respect of your **electronic application instructions** and to send Share certificates and/or refund monies in accordance with arrangements separately agreed between our Company and HKSCC;

— confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them and are aware of the restrictions on the Hong Kong Public Offering described in this prospectus;

— confirm that you have only relied on the information and representations in this prospectus in giving your **electronic application instructions** or instructing your CCASS Clearing Participant or CCASS Custodian Participant to give **electronic application instructions** on your behalf;

— agree that our Company, the Joint Global Coordinators and the Underwriters and any of their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering (to the extent relevant or applicable) are liable only for the information and representations contained in this prospectus;

— agree (without prejudice to any other rights which you may have) that once the application of HKSCC Nominees has been accepted, the application cannot be rescinded for innocent misrepresentation;

— agree to disclose your personal data to the Joint Global Coordinators, our Company, the Hong Kong Share Registrar, the receiving bankers and Hong Kong Underwriters, their respective agents and advisors together with any information about you which they require or the person(s) for whose benefit you have made the application;

— agree that any application made by HKSCC Nominees on behalf of that person pursuant to **electronic application instructions** given by that person is irrevocable before Tuesday, 22 June 2010, such agreement to take effect as a collateral contract with our Company and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Public Offer Shares to any person on or before Friday, 9 July 2010, except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is not a business day (including Saturday)) if a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus;

— agree that once the application of HKSCC Nominees is accepted, neither that application nor your **electronic application instructions** can be revoked and that acceptance of that application will be evidenced by the results of the Hong Kong Public Offering made available by our Company;

— agree to the arrangements, undertakings and warranties specified in the participant agreement between you and HKSCC and read with the General Rules of CCASS and the CCASS Operational Procedures, in respect of the giving of **electronic application instructions** relating to the Hong Kong Public Offer Shares; and

— agree with our Company for itself and for the benefit of each of our Shareholders (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of our Shareholders with each CCASS Participant giving **electronic application instructions)** to observe and comply with the Companies Law and the Articles.

Our Company, the Joint Global Coordinators and their respective directors and any other parties involved in the Global Offering are entitled to rely on any warranty, representation or declaration made by you in your application.

In the event of the application being made is a joint application, all the warranties, representations, declarations and obligations expressed to be made, given or assumed by or imposed on the joint applicants shall be deemed to have been made, given or assumed by or imposed on the applicants jointly and severally. You may be prosecuted if you make a false declaration.

6. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED HONG KONG PUBLIC OFFER SHARES

Full details of the circumstances in which you will not be allocated Hong Kong Public Offer Shares are set out in the notes attached to the Application Forms, and you should read them carefully. You should note the following situations in which Hong Kong Public Offer Shares will not be allocated to you or your application is liable to be rejected:

(a) If your application is revoked or withdrawn:

By completing and submitting an Application Form or submitting **electronic application instructions** to the **White Form eIPO** Service Provider through the **White Form eIPO** service or to HKSCC, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before Tuesday, 22 June 2010. This agreement will take effect as a collateral contract with our Company, and will become binding when you lodge your Application Form or submit your **electronic application instructions** to the **White Form eIPO** Service Provider or to HKSCC and an application has been made by HKSCC Nominees on your behalf accordingly. This collateral contract will be in consideration of our Company agreeing that it will not offer any Hong Kong Public Offer Shares to any person on or before Friday, 9 July 2010 except by means of one of the procedures referred to in this prospectus.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is not a business day (including Saturday)) if a person responsible for the prospectus under section 40 of the Companies Ordinance (as applied by section 342E of the Companies Ordinance) gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus.

If any supplement to this prospectus is issued, applicant(s) who have already submitted an application may or may not (depending on the information contained in the supplement) be notified that they can withdraw the application(s). If applicant(s) has/have not been so notified, or if applicant(s) has/have been notified but have not withdrawn their applications in accordance with the procedure to be notified, all applications that have been submitted remain valid and may be accepted. Subject to the above, an application once made is irrevocable and applicants shall be deemed to have applied on the basis of this prospectus as supplemented.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. Acceptance of applications which are not rejected will be constituted by notification in the announcement of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(b) If the allocation of Hong Kong Public Offer Shares is void:

The allocation of Hong Kong Public Offer Shares to you or to HKSCC Nominees (if you give **electronic application instructions** to HKSCC or apply using a **YELLOW** Application Form) will be void if the Listing Committee of the Stock Exchange does not grant approval for the listing of, and permission to deal in the Shares either:

- within three weeks from the closing of the applications lists in respect of the Hong Kong Public Offering; or
- within a longer period of up to six weeks if the Listing Committee of the Stock Exchange notifies our Company of that longer period within three weeks of the closing of the application lists.

(c) If you make applications under the Hong Kong Public Offering as well as the International Placing:

By filling in any of the Application Forms or giving application instructions to HKSCC electronically or to the **White Form eIPO** Service Provider under the **White Form eIPO** service, you agree not to apply for Hong Kong Public Offer Shares in addition to International Offer Shares under the International Placing. Reasonable steps will be taken to identify and reject applications under the Hong Kong Public Offering from investors who have received International Offer Shares in the International Placing, and to identify and reject indications of interest in the International Placing from investors who have received Hong Kong Public Offer Shares in the Hong Kong Public Offering.

(d) If our Company, the Joint Global Coordinators or the White Form eIPO Service Provider or their respective agents or nominees exercise their discretion to reject your application:

Our Company, the Joint Sponsors and/or the Joint Global Coordinators and the **White Form eIPO** Service Provider (where applicable) or their respective agents and nominees have full discretion to reject or accept any application, in whole or in part, without assigning any reason therefor.

(e) Your application will be rejected or not be accepted if:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you apply for have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally), International Offer Shares under the International Placing;
- your Application Form is not filled in correctly in accordance with the instructions as stated in the Application Form (if you apply by Application Form);
- your **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions set out in the designated website at **www.eipo.com.hk**;
- your payment is not made correctly;
- your payment is made by cheque or banker's cashier order and the cheque or banker's cashier order is dishonoured on its first presentation;
- the Underwriting Agreements do not become unconditional;
- either of the Underwriting Agreements is terminated in accordance with its respective terms;
- your application is for more than 50% of the Hong Kong Public Offer Shares initially available for public subscription; or

- the Company and the Joint Global Coordinators (as agent of the Company) believes that by accepting your application, this would violate the applicable securities or other laws, rules or regulations of the jurisdictions in which your application is completed and signed.

7. IF YOUR APPLICATION FOR THE HONG KONG PUBLIC OFFER SHARES IS SUCCESSFUL (IN WHOLE OR IN PART)

You will receive one Share certificate for all of the Hong Kong Public Offer Shares issued to you under the Hong Kong Public Offering (except pursuant to applications made on YELLOW Application Forms or by electronic application instructions to HKSCC via CCASS, in which case Share certificates will be deposited in CCASS).

Share certificates will only become valid certificates of title at 8:00 a.m. on Wednesday, 23 June 2010 provided that the Hong Kong Public Offering has become unconditional in all respects and the right of termination described in the section entitled "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination" in this prospectus has not been exercised.

(a) If you are applying using a WHITE Application Form and you elect to receive any Share certificate(s) in your name:

- Refund cheques and Share certificates for these applicants who apply for less than 1,000,000 Shares and who apply for 1,000,000 Shares or more and have not indicated in their Application Forms that they wish to collect Share certificates and (where applicable) refund cheque are expected to be despatched on or before Tuesday, 22 June 2010 to the same address as that for Share certificate(s), being the address specified on the relevant Application Form.

- Applicants who apply on **WHITE** Application Forms for 1,000,000 Shares or more under the Hong Kong Public Offering and have indicated in their Application Forms that they wish to collect Share certificates and (where applicable) refund cheques in person from our Hong Kong Share Registrar may collect Share certificates and (where applicable) refund cheques in person from our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, 22 June 2010.

- Applicants being individuals who are applying for 1,000,000 Hong Kong Public Offer Shares or more and opt for personal collection cannot authorize any other person to make collection on their behalf. Corporate applicants who are applying for 1,000,000 Hong Kong Public Offer Shares or more and opt for personal collection must attend by their authorized representatives bearing letters of authorization from the corporation stamped with the corporation's respective chops. Both individuals and authorized representative (where applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Share Registrar.

- Uncollected Share certificates and (where applicable) refund cheque(s) will be despatched by ordinary post at the applicants' own risk to the addresses specified in the relevant Application Forms.

(b) If: (i) you are applying on a YELLOW Application Form; or (ii) you are giving electronic application instructions to HKSCC, and in each case you elect to have allocated Hong Kong Public Offer Shares deposited directly into CCASS:

If your application is wholly or partly successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant as instructed by you (on the Application Form or electronically, as the case may be), at the close of business on Tuesday, 22 June 2010 or, under certain contingent situations, on any other date as shall be determined by HKSCC or HKSCC Nominees.

- **If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant) on a YELLOW Application Form:**

  For Hong Kong Public Offer Shares credited to the stock account of your designated CCASS Participant (other than a CCASS Investor Participant), you can check the number of Hong Kong Public Offer Shares allocated to you with that CCASS Participant.

- **If you are applying as a CCASS Investor Participant on a YELLOW Application Form:**

  Our Company is expected to make available the results of the Hong Kong Public Offering, including the results of CCASS Investor Participants' applications, in the manner described in the paragraph headed "Results of allocations" in the section headed "How to apply for the Hong Kong Public Offer Shares" in this prospectus on Tuesday, 22 June 2010. You should check the results made available by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 22 June 2010 or such other date as shall be determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Public Offer Shares to your CCASS Investor Participant stock account, you can check your new account balance via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC will also make available to you an activity statement showing the number of Hong Kong Public Offer Shares credited to your CCASS Investor Participant stock account.

- **If you have given electronic application instructions to HKSCC:**

  Our Company is expected to make available the application results of the Hong Kong Public Offering, including the results of CCASS Participants' applications (and in the case of CCASS Clearing Participants and CCASS Custodian Participants, our Company shall include information relating to the beneficial owner, if supplied), your Hong Kong identity card/passport/Hong Kong business registration number or other identification code (as appropriate) in the manner described in the paragraph headed "Results of allocations" in the section headed "How to apply for the Hong Kong Public Offer Shares" in this prospectus on Tuesday, 22 June 2010. You should check the results made available by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 22 June 2010 or any other date HKSCC or HKSCC Nominees chooses.

- **If you are instructing your CCASS Clearing Participant or CCASS Custodian Participant to give electronic application instructions to HKSCC on your behalf:**

You can also check the number of Hong Kong Public Offer Shares allocated to you and the amount of refund (if any) payable to you with that CCASS Clearing Participant or CCASS Custodian Participant.

- **If you are applying as a CCASS Investor Participant by giving electronic application instructions to HKSCC:**

You can also check the number of the Hong Kong Public Offer Shares allotted to you and the amount of refund (if any) payable to you via the CCASS Phone System and CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Tuesday, 22 June 2010.

Immediately after the credit of the Hong Kong Public Offer Shares to your CCASS Investor Participant stock account and the credit of the refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of the Hong Kong Public Offer Shares credited to your stock account and the amount of refund credited to your designated bank account (if any).

(c) If you apply through White Form eIPO:

If you apply for 1,000,000 Hong Kong Public Offer Shares or more through the **White Form eIPO** service by submitting an electronic application to the **White Form eIPO** Service Provider through the designated website at **www.eipo.com.hk** and your application is wholly or partially successful, you may collect your Share certificate(s) (where applicable) in person from Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Tuesday, 22 June 2010, or such other date as notified by our Company in the newspapers as the date of despatch/collection of Share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) and/or refund cheque(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions to the **White Form eIPO** Service Provider promptly thereafter by ordinary post and at your own risk.

If you apply for less than 1,000,000 Hong Kong Public Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions to the **White Form eIPO** Service Provider on Tuesday, 22 June 2010 by ordinary post and at your own risk.

Please also note the additional information relating to refund of application monies overpaid, application money underpaid or applications rejected by the **White Form eIPO** Service Provider set out below in "9. Additional Information for Applicants Applying Through White Form eIPO."

No receipt will be issued for application monies paid. Our Company will not issue temporary documents of title.

8. REFUND OF YOUR APPLICATION MONIES — ADDITIONAL INFORMATION

(a) In a contingency situation involving a substantial over-subscription, at the discretion of our Company and the Joint Global Coordinators, cheque or banker's cashier order for applications for certain small denominations of Hong Kong Public Offer Shares (apart from successful applications) may be eliminated in a pre-balloting. In such circumstances, the cheques or banker's cashier orders accompany such applications on the Application Form will not be presented for clearing and therefore such applications will not be entitled to a refund.

(b) You will be entitled to a refund (any interest accrued on refund money prior to the date of despatch of refund cheques will be retained for the benefit of our Company) if:

- your application is not successful, in which case our Company will refund your application money together with the brokerage, the SFC transaction levy and the Stock Exchange trading fee to you, without interest;

- your application is accepted only in part, in which case our Company will refund the appropriate portion of your application money, the related brokerage, the SFC transaction levy and the Stock Exchange trading fee, without interest;

- the Offer Price (as finally determined) is less than the price per Hong Kong Public Offer Share initially paid by the applicant on application, in which case our Company will refund the surplus application money together with the appropriate portion of the related brokerage, the SFC transaction levy and the Stock Exchange trading fee, without interest; and

- the conditions of the Global Offering are not fulfilled in accordance with the section headed "Structure and Conditions of the Global Offering — Conditions of the Hong Kong Public Offering" in this prospectus.

(c) If you apply on a **YELLOW** Application Form for 1,000,000 Hong Kong Public Offer Shares or more under the Hong Kong Public Offering and have indicated on your Application Form that you wish to collect your refund cheque in person and have provided all information required by your Application Form, you may collect it in person from our Hong Kong Share Registrar between 9:00 a.m. and 1:00 p.m. on the date notified by the Company in the newspapers as the date of collection of refund cheque(s). The date of collection is expected to be Tuesday, 22 June

2010. The procedure for collection of refund cheques for **YELLOW** Application Form applicants is the same as that for **WHITE** Application Form applicants set out in sub-paragraph (a) of the paragraph headed "If your application for the Hong Kong Public Offer Shares is successful (in whole or in part)" in this section.

If you have applied for 1,000,000 Hong Kong Public Offer Shares or above and have not indicated on your Application Form that you will collect your refund cheque (if any) in person, or if you have applied for less than 1,000,000 Hong Kong Public Offer Shares, your refund cheque (if any) will be sent to the address on your Application Form on the date of despatch, which is expected to be on Tuesday, 22 June 2010, by ordinary post and at your own risk.

(d) If you are applying by giving electronic instructions to HKSCC to apply on your behalf, all refunds are expected to be credited to your designated bank account (if you are applying as a CCASS Investor Participant) or the designated bank account of your broker or custodian (if you are applying through a CCASS Clearing/Custodian Participant) on Tuesday, 22 June 2010.

(e) All refunds by cheque will be crossed "Account Payee Only," and made out to you, or if you are a joint applicant, to the first-named applicant on your Application Form.

(f) Refund cheques are expected to be despatched on Tuesday, 22 June 2010. Our Company intends to make special efforts to avoid undue delays in refunding money.

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

9. ADDITIONAL INFORMATION FOR APPLICANTS APPLYING THROUGH WHITE FORM eIPO

For the purposes of allocating Hong Kong Public Offer Shares, each applicant giving **electronic application instructions** through the **White Form eIPO** service to the **White Form eIPO** Service Provider through the designated website will be treated as an applicant.

If your payment of application monies is insufficient, or in excess of the required amount, having regard to the number of Hong Kong Public Offer Shares for which you have applied, or if your application is otherwise rejected by the **White Form eIPO** Service Provider, the **White Form eIPO** Service Provider may adopt alternative arrangements for the refund monies to you. Please refer to the additional information provided by the **White Form eIPO** Service Provider on the designated website **www.eipo.com.hk.**

Otherwise, any monies payable to you due to a refund for any of the reasons set out above in "Refund of your application monies — additional information" shall be made pursuant to the arrangements described above in "If your application for the Hong Kong Public Offer Shares is successful (in whole or in part) — (c) If you apply through **White Form eIPO."**

10. PERSONAL DATA

The main provisions of the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) (the "Ordinance") came into effect in Hong Kong on December 20, 1996. This Personal Information Collection Statement informs the applicant for and holder of the Hong Kong Public Offer Shares of the policies and practices of our Company and our Hong Kong Share Registrar in relation to personal data and the Ordinance.

(a) Reasons for the collection of your personal data

From time to time it is necessary for applicants or registered holders of securities to supply their latest correct personal data to our Company or its agents and our Hong Kong Share Registrar when applying for securities or transferring securities into or out of their names or in procuring the services of our Hong Kong Share Registrar.

Failure to supply the requested data may result in your application for securities being rejected or in delay or inability of our Company or our Hong Kong Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfer of the Hong Kong Public Offer Shares which you have successfully applied for and/or the despatch of Share certificate(s), and/or the despatch of e-Refund payment instructions and/or the despatch of refund cheque(s) to which you are entitled.

It is important that applicants and holders of securities inform our Company and our Hong Kong Share Registrar immediately of any inaccuracies in the personal data supplied.

(b) Purposes

The personal data of the applicants and the holders of securities may be used, held and/or stored (by whatever means) for the following purposes:

- processing of your application and refund cheque, where applicable and verification of compliance with the terms and application procedures set out in the Application Forms and this prospectus and announcing results of allocations of the Hong Kong Public Offer Shares;
- enabling compliance with all applicable laws and regulations in Hong Kong and elsewhere;
- registering new issues or transfers into or out of the name of holders of securities including, where applicable, in the name of HKSCC Nominees;
- maintaining or updating the registers of holders of securities of our Company;

- conducting or assisting to conduct signature verifications, any other verification or exchange of information;
- establishing benefit entitlements of holders of securities of our Company, such as dividends, rights issues and bonus issues;
- distributing communications from our Company and its subsidiaries;
- compiling statistical information and shareholder profiles;
- making disclosures as required by laws, rules, regulations or the Articles;
- disclosing identities of successful applicants by way of press announcement or otherwise;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable our Company and our Hong Kong Share Registrar to discharge their obligations to holders of securities and/or regulators and/or any other purpose to which the holders of securities may from time to time agree.

(c) Transfer of personal data

Personal data held by our Company and our Hong Kong Share Registrar relating to the applicants and the holders of securities will be kept confidential but our Company and our Hong Kong Share Registrar may, to the extent necessary for achieving the above purposes or any of them, make such enquiries as they consider necessary to confirm the accuracy of the personal data and in particular, they may disclose, obtain or transfer (whether within or outside Hong Kong) the personal data of the applicants and the holders of securities to or from any and all of the following persons and entities:

- our Company or its appointed agents such as the Joint Global Coordinators, the Hong Kong Underwriters, financial advisors, receiving bankers and our Company's principal share registrar and Hong Kong Share Registrar;
- HKSCC and HKSCC Nominees, who will use the personal data for the purposes of operating CCASS (in cases where the applicants have requested for the Hong Kong Public Offer Shares to be deposited into CCASS);
- any agents, contractors or third party service providers who offer administrative, telecommunications, computer, payment or other services to our Company and/or our Hong Kong Share Registrar in connection with the operation of their businesses;
- the Stock Exchange, the SFC and any other statutory, regulatory or governmental bodies; and
- any other persons or institutions with which the holders of securities have or propose to have dealings, such as their bankers, solicitors, accountants or stockbrokers.

- By signing an application form or by giving **electronic application instructions** to HKSCC, you agree to all of the above.

(d) Access and correction of personal data

The Ordinance provides the applicants and the holders of securities with rights to ascertain whether our Company and/or our Hong Kong Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. In accordance with the Ordinance, our Company and our Hong Kong Share Registrar have the right to charge a reasonable fee for the processing of any data access request. All requests for access to data or correction of data or for information regarding policies and practices or the kinds of data held should be addressed to our Company for the attention of our company secretary or (as the case may be) our Hong Kong Share Registrar for the attention of the Privacy Compliance Officer (for the purposes of the Ordinance).

ERNST & YOUNG
安 永

18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong

9 June 2010

The Directors
China Liansu Group Holdings Limited
J.P. Morgan Securities (Asia Pacific) Limited
UBS AG, Hong Kong Branch

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") of China Liansu Group Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), prepared on the basis set out in note 2 of Section II, for each of the three years ended 31 December 2007, 2008 and 2009 (the "Relevant Years"), for inclusion in the prospectus of the Company dated 9 June 2010 (the "Prospectus") in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company was incorporated in the Cayman Islands on 5 November 2009 as an exempted company with limited liability under the Companies Law of the Cayman Islands. Pursuant to a corporate reorganization (the "Reorganization") as described in the paragraph headed "Reorganization" in the section headed "History and Development" to the Prospectus, the Company became the holding company of the subsidiaries now comprising the Group.

The Group is principally engaged in the manufacture and sale of plastic pipes and pipe fittings. The Company and its subsidiaries have adopted 31 December as their financial year end date. Particulars of the subsidiaries comprising the Group are set out in note 1 of Section II.

No audited financial statements have been prepared for the Company and the two subsidiaries which were incorporated in the British Virgin Islands (the "BVI") since their respective dates of incorporation as there are no statutory requirements for these companies to prepare audited financial statements. The statutory audited financial statements or management accounts of the Group's other subsidiaries incorporated in the Mainland China and Hong Kong were prepared in accordance with the relevant accounting principles applicable to these companies in their respective jurisdictions, all of which were not audited by us.

For the purpose of this report, the directors of the Company (the "Directors") have prepared the consolidated statements of financial position, the consolidated statements of comprehensive income, the consolidated statements of changes in equity, the consolidated statements of cash flows for the Relevant Years and the statement of financial position of the Company as at 31 December 2009 (collectively, the "Underlying Financial Statements") in accordance with the basis set out in note 2 of Section II.

The Directors are responsible for the content of the Prospectus, including the preparation and the true and fair presentation of the Underlying Financial Statements and the Financial Information in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The directors of the respective companies of the Group are responsible for the preparation and the true and fair presentation of the respective financial statements and, where appropriate, management accounts in accordance with the relevant accounting principles and financial regulations applicable to these companies. In preparing the Financial Information, it is fundamental that appropriate accounting policies are selected and applied consistently, and that judgements and estimates made are prudent and reasonable. It is our responsibility to form an independent opinion based on our audit of the Financial Information.

Procedures performed in respect of the Financial Information

The Financial Information of the Group for the Relevant Years set out in this report has been prepared from the Underlying Financial Statements and in accordance with the basis set out in note 2 of Section II. For the purpose of this report, we have carried out an independent audit on the Financial Information for the Relevant Years in accordance with Hong Kong Standards on Auditing issued by the HKICPA and have carried out such additional procedures as we considered necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA. No adjustments were considered necessary by us to the Underlying Financial Statements to conform to the accounting policies referred to in note 3 of Section II of this report for the Relevant Years.

Opinion in respect of the Financial Information

In our opinion, for the purpose of this report and on the basis of presentation set out in note 2 of Section II, the Financial Information gives a true and fair view of the consolidated results and cash flows of the Group for the Relevant Years and of the state of affairs of the Group as at 31 December 2007, 2008 and 2009, and of the Company as at 31 December 2009 in accordance with HKFRSs.

I. FINANCIAL INFORMATION

Consolidated statements of comprehensive income

	Notes	Year ended 31 December 2007 RMB'000	2008 RMB'000	2009 RMB'000
CONTINUING OPERATIONS				
REVENUE	6	2,618,248	3,618,526	5,322,244
Cost of sales		(2,285,404)	(3,114,419)	(4,109,005)
Gross profit		332,844	504,107	1,213,239
Other revenue, income and gains	6	3,148	21,717	22,876
Selling and distribution costs		(110,203)	(161,853)	(198,509)
Administrative expenses		(80,985)	(106,571)	(163,554)
Other operating expenses, net		(16,595)	(17,659)	(38,163)
Finance costs	8	(27,460)	(45,894)	(36,475)
Share of losses of a jointly-controlled entity		(4,506)	(4,969)	—
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	7	96,243	188,878	799,414
Income tax expense	10	(16,938)	(34,221)	(155,443)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		79,305	154,657	643,971
DISCONTINUED OPERATIONS				
Profit/(loss) for the year from discontinued operations	7, 11	2,175	(18,743)	—
PROFIT FOR THE YEAR		81,480	135,914	643,971
OTHER COMPREHENSIVE INCOME				
Exchange differences on translation of foreign operations		12,197	14,237	972
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		93,677	150,151	644,943
Profit for the year attributable to:				
Owners of the Company		75,360	135,481	643,971
Non-controlling interests		6,120	433	—
		81,480	135,914	643,971
Total comprehensive income attributable to:				
Owners of the Company		87,557	149,718	644,943
Non-controlling interests		6,120	433	—
		93,677	150,151	644,943

Consolidated statements of financial position

		As at 31 December		
	Notes	2007	2008	2009
		RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	14	547,576	734,844	1,302,735
Investment properties	15	78,483	—	—
Prepaid land lease payments	16	111,277	176,894	205,516
Other intangible assets		99	1,052	1,138
Deposits paid for the purchase of property, plant and equipment		57,020	34,097	26,248
Interest in a jointly-controlled entity	17	40,700	—	—
Deferred tax assets	26	1,439	1,535	7,314
Total non-current assets		836,594	948,422	1,542,951
CURRENT ASSETS				
Inventories	19	451,303	584,131	743,507
Trade and bills receivables	20	237,409	203,247	466,735
Prepayments, deposits and other receivables	21	307,731	238,524	257,938
Amounts due from related companies	36(a)	17,584	16,304	720
Restricted cash	22	10,909	2,780	125,133
Cash and cash equivalents	22	186,637	135,947	361,767
Total current assets		1,211,573	1,180,933	1,955,800
CURRENT LIABILITIES				
Trade and bills payables	23	199,040	39,667	232,702
Other payables and accruals	24	519,246	447,630	501,547
Interest-bearing bank loans	25	510,600	416,700	427,527
Amounts due to directors	36(c)	429,802	492,772	263,798
Amounts due to related companies	36(b)	34,398	226,045	15,693
Tax payable		17,803	19,034	73,770
Total current liabilities		1,710,889	1,641,848	1,515,037
NET CURRENT ASSETS/(LIABILITIES)		(499,316)	(460,915)	440,763
TOTAL ASSETS LESS CURRENT LIABILITIES		337,278	487,507	1,983,714

	Notes	As at 31 December 2007	2008	2009
		RMB'000	RMB'000	RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		337,278	487,507	1,983,714
NON-CURRENT LIABILITIES				
Interest-bearing bank loans	25	88,000	52,000	882,150
Deferred tax liabilities	26	—	11,393	41,749
Deferred income	27	—	—	17,827
Total non-current liabilities		88,000	63,393	941,726
Net assets		249,278	424,114	1,041,988
EQUITY				
Equity attributable to owners of the Company				
Share capital	28	—	—	352
Reserves		244,075	424,114	1,041,636
		244,075	424,114	1,041,988
Non-controlling interests		5,203	—	—
Total equity		249,278	424,114	1,041,988

Consolidated statements of changes in equity

	Attributable to the owners of the Company								
	Share capital	Statutory reserve[1]	Capital reserve[2]	Merger reserve[4]	Retained profits	Exchange fluctuation reserve	Total	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2007	—	15,631	(3,409)	—	105,174	5,674	123,070	121,189	244,259
Acquisitions of non-controlling interests [3]	—	—	33,448	—	—	—	33,448	(95,455)	(62,007)
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	(24,739)	(24,739)
Disposal of a subsidiary (note 30(b))	—	—	—	—	—	—	—	(1,912)	(1,912)
Total comprehensive income for the year	—	—	—	—	75,360	12,197	87,557	6,120	93,677
Appropriation to statutory reserve	—	13,319	—	—	(13,319)	—	—	—	—
At 31 December 2007 and 1 January 2008	—	28,950*	30,039*	—	167,215*	17,871*	244,075	5,203	249,278
Disposal of subsidiaries	—	(924)	1,606	—	—	—	682	(2,238)	(1,556)
Contribution from a shareholder (note 29)	—	—	—	29,639	—	—	29,639	—	29,639
Deemed distributions [4]	—	—	—	2,816	(2,816)	—	—	—	—
Dividends payable to non-controlling interests	—	—	—	—	—	—	—	(3,398)	(3,398)
Total comprehensive income for the year	—	—	—	—	135,481	14,237	149,718	433	150,151
Appropriation to statutory reserve	—	22,368	—	—	(22,368)	—	—	—	—
At 31 December 2008 and 1 January 2009	—	50,394*	31,645*	32,455*	277,512*	32,108*	424,114	—	424,114
Issue of shares (note 28)	352	–	–	–	–	—	352	–	352
Deemed distributions [4]	—	—	—	481	(481)	—	—	—	—
Dividend payable to the then shareholder of a subsidiary[4]	–	–	–	(8,041)	–	–	(8,041)	–	(8,041)
Distribution to Mr. Wong[4]	–	–	–	(19,380)	–	–	(19,380)	–	(19,380)
Total comprehensive income for the year	—	—	—	—	643,971	972	644,943	—	644,943
Appropriation to statutory reserve	–	79,273	–	–	(79,273)	–	–	–	–
At 31 December 2009	352	129,667*	31,645*	5,515*	841,729*	33,080*	1,041,988	–	1,041,988

* These reserve accounts comprise the consolidated reserves of RMB244,075,000, RMB424,114,000 and RMB1,041,636,000 in the consolidated statements of financial position as at 31 December 2007, 2008 and 2009, respectively.

Notes:

(1) In accordance with the Company Law of the People's Republic of China (the "PRC"), the Company's subsidiaries registered in the PRC are required to appropriate 10% of the annual statutory profit after tax (after offsetting any prior years' losses) determined in accordance with generally accepted accounting principles in the PRC (''PRC

GAAP'') to the statutory reserve until the balance of the reserve fund reaches 50% of the entity's registered capital. The statutory reserve can be utilized to offset prior years' losses or to increase capital, provided the remaining balance of the statutory reserve is not less than 25% of registered capital.

(2) Capital reserve mainly represented the difference between the consideration and the book value of the share of the net assets acquired in respect of the acquisition of non-controlling interests.

(3) The acquisitions of non-controlling interests consisted of the following transactions:

(a) On 27 June 2007, Liansu Group Company Ltd. ("Liansu HK") acquired an additional 26% equity interest in Guangdong Liansu Technology Industrial Co., Ltd. ("Guangdong Liansu Technology") from EI TI Group Co., Ltd. ("EI TI HK"), a related party of the Group, for a consideration of HK$13,000,000 (approximately RMB12,600,000 equivalent). As at the acquisition date, EI TI HK was 100% owned by Mr. Wong Luen Hei ("Mr. Wong"), the founder and the existing sole shareholder of the Group. Following the completion of the acquisition of the additional equity interest in Guangdong Liansu Technology, Guangdong Liansu Technology became a wholly-owned subsidiary of the Group.

(b) On 12 July 2007, Liansu HK acquired an additional 49% equity interest in Liansu Technology Development (Guiyang) Co., Ltd. ("Guiyang Liansu") from EI TI HK for a consideration of HK$13,700,000 (approximately RMB13,306,000 equivalent). Following the completion of the acquisition of the additional equity interest in Guiyang Liansu, Guiyang Liansu became a wholly-owned subsidiary of the Group.

(c) On 25 July 2007, Liansu HK acquired an additional 49% equity interest in Liansu Technology Development (Wuhan) Co., Ltd. ("Wuhan Liansu") from Liansu International Development Co., Ltd. ("Liansu International"), a related party of the Group, for a consideration of HK$18,600,000 (approximately RMB18,060,000 equivalent). As at the acquisition date, Liansu International was 100% owned by Mr. Wong. Following the completion of the acquisition of the additional equity interest in Wuhan Liansu, Wuhan Liansu became a wholly-owned subsidiary of the Group.

(d) On 26 July 2007, Liansu HK acquired an additional 49% equity interest in Heshan Liansu Industrial Development Co., Ltd. ("Heshan Liansu") from Liansu International for a consideration of HK$18,600,000 (approximately RMB18,041,000 equivalent). Following the completion of the acquisition of the additional equity interest in Heshan Liansu, Heshan Liansu became a wholly-owned subsidiary of the Group.

The above considerations were settled via the amount due to Mr. Wong.

(4) Pursuant to a sale and purchase agreement dated 26 October 2009 (the "S&P Agreement"), Guangdong Liansu Technology acquired a 100% equity interest in Zhongshan Walton Coating Steel Plastic Pipe Co., Ltd. ("Zhongshan Walton" or "中山華通鋼塑管有限公司" in Chinese) from Guangdong Liansu Electric Co., Ltd. ("Liansu Electric" or "廣東聯塑電氣有限公司" in Chinese), a company which is wholly owned by Mr. Wong, at a cash consideration of RMB19,380,000. The acquisition has been accounted for as a common control transaction, details of which have been set out in note 29(a) of Section II.

According to the S&P Agreement, Zhongshan Walton is required to make a distribution of RMB8,041,000 (the "Distribution") to Liansu Electric which was equal to its retained profits as of 31 May 2009, as determined in accordance with PRC GAAP, within one year after the acquisition. Accordingly, net profits of Zhongshan Walton generated for the period from 15 April 2008, the date on which Liansu Electric obtained control over Zhongshan Walton, to 31 May 2009 were set aside and accounted for in the merger reserve as deemed distributions by the Group in 2008 and 2009. As of the date of the S&P Agreement, the Distribution was deducted from the merger reserve and recognized as a current liability on the face of the consolidated statement of financial position as of 31 December 2009. In addition, the consideration paid by the Group to Liansu Electric for the acquisition was also deducted from the merger reserve and accounted for as a distribution to Mr. Wong.

Consolidated statements of cash flows

	Notes	2007	2008	2009
		Year ended 31 December		
		RMB'000	**RMB'000**	**RMB'000**
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax:				
From continuing operations		96,243	188,878	799,414
From discontinued operations	11	2,531	(18,137)	—
Adjustments for:				
Finance costs	8	29,292	48,627	36,475
Share of losses of a jointly-controlled entity		4,506	4,969	—
Interest income	6	(626)	(739)	(2,706)
Loss on disposal of items of property, plant and equipment	7	—	217	828
(Gain)/loss on disposal of subsidiaries	7	(221)	23,070	—
Gain on disposal of a jointly-controlled entity	6	—	(4,969)	—
Depreciation	7	41,785	56,406	70,797
Recognition of prepaid land lease payments	7	1,928	2,940	4,031
Amortization of other intangible assets	7	9	170	261
Impairment of trade receivables, net	7	3,666	2,074	7,172
Write-down/(write-back) of inventories to net realizable value	7	494	2,019	(1,522)
		179,607	305,525	914,750
Increase in inventories		(249,160)	(139,204)	(157,829)
(Increase)/decrease in trade and bills receivables		(72,566)	938	(268,036)
Increase in prepayments, deposits and other receivables		(73,476)	(14,364)	(16,752)
(Increase)/decrease in amounts due from related companies		(11,704)	1,280	15,584
Increase/(decrease) in trade and bills payables		45,611	(153,333)	192,992
Increase/(decrease) in other payables and accruals		200,714	76,062	(15,923)
Receipt of government grants		–	–	17,827
(Decrease)/increase in amounts due to related companies		(2,826)	916	(916)
Cash generated from operations		16,200	77,820	681,697
Interest received		626	739	2,706
Corporate income tax paid		(7,860)	(33,809)	(76,130)
Net cash flows from operating activities		8,966	44,750	608,273

	Notes	2007	2008	2009
		Year ended 31 December		
		RMB'000	RMB'000	RMB'000
Net cash flows from operating activities		8,966	44,750	608,273
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of items of property, plant and equipment		(170,739)	(251,115)	(586,848)
Proceeds from disposal of items of property, plant and equipment		3,785	20,716	17,529
Additions of investment properties		(2,005)	(10,203)	—
Additions of prepaid land lease payments		(54,485)	(79,145)	(31,971)
Additions of other intangible assets		(78)	(1,236)	(347)
Acquisition of subsidiaries	29	—	1,935	10
Disposal of subsidiaries	30	17,990	23,697	—
(Increase)/decrease in restricted cash		7,612	8,129	(122,353)
Net cash flows used in investing activities		(197,920)	(287,222)	(723,980)
CASH FLOWS FROM FINANCING ACTIVITIES				
New bank loans		802,974	802,800	1,663,177
Repayment of bank loans		(453,924)	(842,500)	(822,200)
Increase/(decrease) in amounts due to related companies		4,806	153,876	(217,026)
Increase/(decrease) in amounts due to directors		7,976	125,114	(228,209)
Interest paid		(29,292)	(48,627)	(35,332)
Dividends paid to non-controlling interests		(24,739)	—	—
Proceeds from issue of shares	28	—	—	352
Distribution to Mr. Wong	29(a)	—	—	(19,380)
Net cash flows from financing activities		307,801	190,663	341,382
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		118,847	(51,809)	225,675
Cash and cash equivalents at beginning of year		73,326	186,637	135,947
Effect of exchange rate changes, net		(5,536)	1,119	145
CASH AND CASH EQUIVALENTS AT END OF YEAR		186,637	135,947	361,767
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Cash and bank balances	22	186,637	135,947	361,767

Statement of financial position of the Company

	Notes	As at 31 December 2009
		RMB'000
NON-CURRENT ASSETS		
Interests in subsidiaries	18	694,194
CURRENT ASSETS		
Prepayments		3,165
Cash and bank balances		3,962
Total current assets		7,127
CURRENT LIABILITIES		
Other payables		7,298
An interest-bearing bank loan	25	176,100
Amount due to a director	36(c)	263,798
Total current liabilities		447,196
NET CURRENT LIABILITIES		(440,069)
TOTAL ASSETS LESS CURRENT LIABILITIES		254,125
NON-CURRENT LIABILITY		
An interest-bearing bank loan	25	264,150
Net liabilities		(10,025)
EQUITY		
Share capital	28	352
Accumulated loss		(10,377)
Deficiency in assets		(10,025)

II. NOTES TO THE FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands. The registered office of the Company is located at the offices of Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, the Cayman Islands.

The Group is principally engaged in the manufacture and sale of plastic pipes and pipe fittings.

In the opinion of the directors of the Company, the ultimate holding company of the Company is New Fortune Star Limited ("New Fortune"), a limited liability company incorporated in the BVI.

Particulars of the subsidiaries comprising the Group at the end of each of the Relevant Years are set out below:

Company name	Place and date of incorporation/ establishment	Issued and fully paid share capital/paid-in capital as at 31 December 2009	Percentage of equity attributable to the Company As at 31 December 2007	2008	2009	Principal activities
Starcorp Investment Holdings Ltd.[(1)#] (星展投資控股有限公司)	BVI 9 September 2003	US$1	100%	100%	100%	Investment holding
Great China International Holdings Ltd.[(1)#] (華拓國際控股有限公司)	BVI 9 September 2003	US$1	100%	100%	100%	Investment holding
Liansu HK[(2)] (聯塑集團有限公司)	Hong Kong 8 October 2003	HK$13,000,000	100%	100%	100%	Investment holding
Guangdong Liansu Technology[(3)(19)] (廣東聯塑科技實業有限公司)	PRC 1 December 1999	HK$380,000,000	100%	100%	100%	Manufacture and sale of plastic pipes and pipe fittings
Guangdong Liansu Municipal Engineering Pipe Co., Ltd. ("Liansu Municipal")[(3)(20)] (廣東聯塑市政工程管道有限公司)	PRC 15 July 2005	HK$200,000,000	100%	100%	100%	Manufacture and sale of plastic pipes and pipe fittings
Heshan Liansu [(4)(20)] (鶴山聯塑實業發展有限公司)	PRC 21 June 2002	HK$88,000,000	100%	100%	100%	Manufacture and sale of plastic pipes and pipe fittings
Wuhan Liansu[(5)(20)] (聯塑科技發展(武漢)有限公司)	PRC 22 May 2001	HK$58,000,000	100%	100%	100%	Manufacture and sale of plastic pipes and pipe fittings
Guiyang Liansu [(6)(20)] (聯塑科技發展(貴陽)有限公司)	PRC 30 July 2003	HK$60,000,000	100%	100%	100%	Manufacture and sale of plastic pipes and pipe fittings
Nanjing Liansu Technology Industrial Co., Ltd. ("Nanjing Liansu")[(7)(20)] (南京聯塑科技實業有限公司)	PRC 11 June 2006	US$18,000,000	100%	100%	100%	Manufacture and sale of plastic pipes and pipe fittings
Liansu Municipal Pipe (Hebei) Co., Ltd. ("Hebei Liansu") [(8)(20)] (聯塑市政管道(河北)有限公司)	PRC 12 October 2005	US$22,000,000	100%	100%	100%	Manufacture and sale of plastic pipes and pipe fittings

Company name	Place and date of incorporation/ establishment	Issued and fully paid share capital/paid-in capital as at 31 December 2009	Percentage of equity attributable to the Company As at 31 December 2007	2008	2009	Principal activities
Changchun Liansu Industrial Co., Ltd. ("Changchun Liansu") [9][20] (長春聯塑實業有限公司)	PRC 25 October 2007	HK$59,821,259	100%	100%	100%	Under construction
Urumqi Liansu Technology Development Co., Ltd.[10][20] (烏魯木齊聯塑科技發展有限公司)	PRC 27 December 2007	RMB65,650,000	100%	100%	100%	Under construction
Wuhan Liansu Precision Mold Co., Ltd.[5] (武漢聯塑精密模具有限公司)	PRC 20 December 2007	RMB10,000,000	100%	100%	100%	Manufacture and sale of plastic injection moulds
Henan Liansu Industrial Co., Ltd. [11] (河南聯塑實業有限公司)	PRC 25 October 2007	RMB30,000,000	100%	100%	100%	Manufacture and sale of plastic pipes and pipe fittings
Daqing Liansu Technology Development Co., Ltd.[12] (大慶聯塑科技發展有限公司)	PRC 26 April 2005	RMB58,000,000	100%	100%	100%	Manufacture and sale of plastic pipes and pipe fittings
Zhongshan Walton[13] (中山華通鋼塑管有限公司)	PRC 12 July 2002	RMB10,000,000	—	100%	100%	Manufacture and sale of plastic-steel composite pipe products
Sichuan Liansu Technology Industrial Co., Ltd. ("Sichuan Liansu")[14] (四川聯塑科技實業有限公司)	PRC 10 July 2009	RMB30,000,000	—	—	100%	Manufacture and sale of plastic pipes and pipe fittings
Foshan Liansu Import & Export Trading Co., Ltd. ("Foshan Liansu")[15] (佛山市聯塑進出口貿易有限公司)	PRC 28 January 2008	RMB5,000,000	—	—	100%	Trading of plastic pipes and pipe fittings
Guangdong Yunan Liansu Machinery Co., Ltd. [16][20] (廣東郁南聯塑機器有限公司)	PRC 15 December 2006	RMB10,358,320*	100%	—	—	Manufacture and sale of machinery
Guangdong Liansu Machinery Manufacturing Co., Ltd. ("Liansu Machinery")[17][20] (廣東聯塑機器製造有限公司)	PRC 24 May 2005	HK$20,010,422*	100%	—	—	Manufacture and sale of plastic extrusion equipment

Company name	Place and date of incorporation/ establishment	Issued and fully paid share capital/paid-in capital as at 31 December 2009	Percentage of equity attributable to the Company As at 31 December 2007	2008	2009	Principal activities
Foshan Shunde Yingxin Real Estate Development Co., Ltd. ("Yingxin Real Estate")(17)(20) (佛山市順德區盈信房地產開發有限公司)	PRC 13 January 2004	RMB20,000,000*	100%	—	—	Property development and investment
Foshan EI TI Plastic Chemical Co., Ltd. ("Foshan EI TI Plastic")(18) (佛山市依達塑膠化工有限公司)	PRC 23 April 2001	RMB3,800,000*	51.05%	—	—	Trading of plastic polymers

\# *Except for these two subsidiaries, all of the above investments in subsidiaries are indirectly held by the Company.*

* *Balances represented the paid-in capitals of the respective companies at their respective disposal dates.*

Notes:

(1) No audited financial statements have been prepared for each of the Relevant Years as these subsidiaries are not subject to any statutory audit requirements in their jurisdiction of incorporation.

(2) The financial statements for the years ended 31 December 2007, 2008 and 2009 were audited by Joseph W.P. Fan & Co., certified public accountants in Hong Kong.

(3) The financial statements for the years ended 31 December 2007 and 2008 were audited by 佛山市中正誠會計師事務所有限公司 (Foshan Zhongzhengcheng Certified Public Accountants Co., Ltd.) registered in the PRC. The financial statements for the year ended 31 December 2009 were audited by 廣東信華會計師事務所 (Guangdong Xinhua Certified Public Accountants) registered in the PRC.

(4) The financial statements for the years ended 31 December 2007, 2008 and 2009 were audited by 廣東公認會計師事務所有限公司 (Guangdong Gongren Certified Public Accountants Co., Ltd.) registered in the PRC.

(5) The financial statements for the years ended 31 December 2007 and 2008 were audited by 湖北安華會計師事務所有限公司 (Hubei Anhua Certified Public Accountants Co., Ltd.) registered in the PRC. The financial statements for the year ended 31 December 2009 were audited by 武漢蓮城會計師事務所 (Wuhan Liancheng Certified Public Accountants Firm) registered in the PRC.

(6) The financial statements for the years ended 31 December 2007, 2008 and 2009 were audited by 貴州仁信會計師事務所 (Guizhou Renxin Certified Public Accountants Firm) registered in the PRC.

(7) The financial statements for the years ended 31 December 2007, 2008 and 2009 were audited by 南京中信會計師事務所 (Nanjing Zhongxin Certified Public Accountants Firm) registered in the PRC.

(8) The financial statements for the years ended 31 December 2007, 2008 and 2009 were audited by 河北華獅會計師事務所有限責任公司 (Hebei Hua Lion Certified Public Accountants Co., Ltd.) registered in the PRC.

(9) The financial statements for the years ended 31 December 2007, 2008 and 2009 were audited by 吉林正泰會計師事務所有限公司 (Jilin Zhengtai Certified Public Accountants Co., Ltd.) registered in the PRC.

(10) No auditor was appointed by this company for the period from its date of establishment to 31 December 2007. The financial statements for the years ended 31 December 2008 and 2009 were audited by 新疆德恒有限責任會計師事務所 (Xinjiang Deheng Certified Public Accountants Firm Limited) registered in the PRC.

(11) The financial statements for the years ended 31 December 2007, 2008 and 2009 were audited by 河南華穎會計師事務所有限公司 (Henan Huaying Certified Public Accountants Co., Ltd.) registered in the PRC.

(12) The financial statements for the years ended 31 December 2007, 2008 and 2009 were audited by 杜爾伯特維信會計師事務所有限公司 (Durbote Weixin Certified Public Accountants Co., Ltd.) registered in the PRC.

(13) The financial statements for the year ended 31 December 2008 were audited by 中山信誠合夥會計師事務所 (Zhongshan Xincheng Partnership Certified Public Accountants Firm) registered in the PRC. The financial statements for the year ended 31 December 2009 were audited by 中山市中正聯合會計師事務所有限公司 (Zhongshan Zhongzheng United Certified Public Accountants Co., Ltd.) registered in the PRC.

(14) The financial statements for the year ended 31 December 2009 were audited by 四川萬通會計師事務所 (Sichuan Wantong Certified Public Accountants Firm) registered in the PRC.

(15) The financial statements for the year ended 31 December 2009 were audited by 廣東信華會計師事務所 (Guangdong Xinhua Certified Public Accountants) registered in the PRC.

(16) The financial statements for the year ended 31 December 2007 were audited by 郁南西江會計師事務所有限公司 (Yunan Xijiang Certified Public Accountants Co., Ltd.) registered in the PRC.

(17) The financial statements for the year ended 31 December 2007 were audited by 佛山市中正誠會計師事務所有限公司 (Foshan Zhongzhengcheng Certified Public Accountants Co., Ltd.) registered in the PRC.

(18) The financial statements for the year ended 31 December 2007 were audited by 佛山市達正會計師事務所有限公司 (Foshan Dazheng Certified Public Accountants Co., Ltd.) registered in the PRC.

(19) Registered as wholly-foreign-owned enterprises under the PRC law.

(20) Registered as Sino-foreign equity joint ventures under the PRC law.

The English names of the subsidiaries and auditors registered in the PRC represent management's best effort at translating the Chinese names of those companies as no English names have been registered.

2. BASIS OF PRESENTATION

Pursuant to the Reorganization as more fully explained in the paragraph headed "Reorganization" in the section headed "History and Development" to the Prospectus, the Company became the holding company of the companies now comprising the Group on 11 November 2009. The companies now comprising the Group are under the common control of Mr. Wong before and after the Reorganization. Accordingly, for the purpose of this report, the Financial Information set out in this report has been prepared on a combined basis by applying the principles of merger accounting as if the Reorganization had been completed at the beginning of the Relevant Years and as further explained in note 3(b) below.

The consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the Relevant Years include the results and cash flows of all companies now comprising the Group, as if the current structure had been in existence throughout the Relevant Years, or since their respective dates of acquisition, incorporation or establishment, where this is a shorter period. The consolidated statements of financial position of the Group as at 31 December 2007, 2008 and 2009 have been prepared to present the state of affairs of the Group as if the current group structure had been in existence and in accordance with the respective equity interests and/or the power to exercise control over the individual companies attributable to the Company as at the respective dates.

All intra-group transactions and balances have been eliminated on consolidation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The Financial Information has been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. All HKFRSs effective for the accounting periods commencing from 1 January 2007, 2008 and 2009, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Financial Information throughout the Relevant Years. The Financial Information has been prepared under the historical cost convention. The Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Issued but not yet effective HKFRSs

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the Financial Information:

HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards[1]
HKFRS 1 Amendments	Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards — Additional Exemptions for First-time Adopters[2]
HKFRS 1 Amendment	Amendment to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards — Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[4]
HKFRS 2 Amendments	Amendments to HKFRS 2 Share-based Payment — Group Cash-settled Share-based Payment Transactions[2]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[6]
HKAS 24 (Revised)	Related Party Disclosures[5]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 Amendment	Amendment to HKAS 32 Financial Instruments: Presentation — Classification of Rights Issues[3]
HKAS 39 Amendment	Amendment to HKAS 39 Financial Instruments: Recognition and Measurement — Eligible Hedged Items[1]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 Prepayments of a Minimum Funding Requirement[5]
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments[4]

Amendments to HKFRS 5 included in Improvements to HKFRSs issued in October 2008	Amendments to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations — Plan to Sell the Controlling Interest in a Subsidiary [1]
HK Interpretation 4 (Revised in December 2009)	Leases — Determination of the Length of Lease Term in respect of Hong Kong Land Leases [2]

Apart from the above, the HKICPA has issued Improvements to HKFRSs 2009 which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 2, HKAS 38, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16 are effective for annual periods beginning on or after 1 July 2009 while the amendments to HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 38 and HKAS 39 are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard or interpretation.

1 Effective for annual periods beginning on or after 1 July 2009
2 Effective for annual periods beginning on or after 1 January 2010
3 Effective for annual periods beginning on or after 1 February 2010
4 Effective for annual periods beginning on or after 1 July 2010
5 Effective for annual periods beginning on or after 1 January 2011
6 Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that except for the adoption of HKFRS 3 (Revised) and HKAS 27 (Revised), these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

HKFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs, and future reported results.

HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to HKAS 7 *Statement of Cash Flows*, HKAS 12 *Income Taxes*, HKAS 21 *The Effects of Changes in Foreign Exchange Rates*, HKAS 28 *Investments in Associates* and HKAS 31 *Interests in Joint Ventures*.

The Group expects to adopt HKFRS 3 (Revised) and HKAS 27 (Revised) from 1 January 2010. The changes introduced by these revised standards must be applied prospectively and will affect the accounting of future acquisitions, loss of control and transactions with non controlling interests.

The principal accounting policies adopted by the Group in arriving at the Financial Information set out in this report, which conform to HKFRSs and accounting principles generally accepted in Hong Kong, are set out below:

Basis of consolidation

The consolidated financial information includes the financial statements of the Company and its subsidiaries for the years ended 31 December 2007, 2008 and 2009. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries of the Group, except for those acquisitions which qualify as business combinations under common control which are accounted for using merger accounting.

(a) Purchase method of accounting

The purchase method of accounting involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities incurred or assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of the business combination over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost is less than the fair value of the net assets of the subsidiary acquired, the difference, after reassessment, is recognized directly in the consolidated statements of comprehensive income.

(b) Merger accounting for business combinations under common control

The Financial Information incorporates the financial statement items of the combining entities subject to common control in the Relevant Years as if they had been combined from the date when the combining entities first came under the control of the controlling party.

The net assets of the combining entities are combined using the existing book values from the controlling party's perspective. No amount is recognized in respect of goodwill or excess of acquirers' interests in the fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statements of comprehensive income include the results of each of the combining entities from the earliest date presented or since the date when the combining entities first came under common control, whichever is a shorter period, regardless of the date of the common control combination.

All income, expenses, and unrealized gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

Non-controlling interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries. Acquisitions of non-controlling interests are accounted for using the entity concept method whereby the difference between the consideration and the book value of the share of the net assets acquired is recognized as an equity transaction.

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's statement of comprehensive income to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Jointly-controlled entity

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's interest in a jointly-controlled entity is stated in the consolidated statements of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of the jointly-controlled entity is included in the consolidated statements of comprehensive income and consolidated reserves, respectively. Unrealized gains and losses resulting from transactions between the Group and its jointly-controlled entity are eliminated to the extent of the Group's interest in the jointly-controlled entity, except where unrealized losses provide evidence of an impairment of the asset transferred.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of comprehensive income in the period in which it arises.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortization) had no impairment loss been recognized for the asset in prior years. A reversal of such an impairment loss is credited to the statement of comprehensive income in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is a jointly-controlled entity;

(c) the party is a member of the key management personnel of the Group or its parent;

(d) the party is a close member of the family of any individual referred to in (a) or (c);

(e) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (c) or (d); or

(f) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of comprehensive income in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciation.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	4.5% to 5%
Plant and machinery	9% to 19%
Furniture, fixtures and office equipment	9.5% to 32.3%
Motor vehicles	9.5% to 32.3%
Leasehold improvements	Over the shorter of the lease terms and 20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in the statement of comprehensive income in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings and other assets under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost represents the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

Investment properties are interests in land and building held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured at cost, including transaction costs, less accumulated depreciation and any impairment losses. Depreciation is provided using the straight-line method to write off the cost of the investment property over its estimated useful life of 20 years.

Any gains or losses on the retirement or disposal of an investment property are recognized in the statement of comprehensive income in the year of the retirement or disposal.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Computer software

Computer software is stated at cost less any impairment losses and is amortized on the straight-line basis over its estimated useful life of five years.

Research and development costs

All research costs are charged to the statement of comprehensive income as incurred.

Expenditure incurred on projects to develop new products is capitalized and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of comprehensive income on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the statement of comprehensive income on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognized on the straight-line basis over the lease terms.

Financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognized initially, they are measured at fair value.

All regular way purchases and sales of financial assets are recognized on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group's financial assets include cash and bank balances, trade and bills receivables, other receivables and amounts due from related companies, which are classified as loans and receivables.

Subsequent measurement

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortized cost using the effective interest rate method less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance income in the statement of comprehensive income. The loss arising from impairment is recognized in the statement of comprehensive income in other operating expenses, net.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;
- the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement;

and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial Assets carried at amortized cost

For financial assets carried at amortized cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the amount of the loss is recognized in the statement of comprehensive income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to other operating expenses, net in the statement of comprehensive income.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, amounts due to directors, amounts due to related companies, interest-bearing bank loans and other financial liabilities included in other payables and accruals.

Subsequent measurement

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognized in the statement of comprehensive income when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance costs in the statement of comprehensive income.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized in the statement of comprehensive income.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labor and an appropriate proportion of overheads. Net realizable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognized when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognized for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of comprehensive income.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilized, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of comprehensive income over the expected useful life of the relevant asset by equal annual instalments.

Revenue recognition

Revenue is recognized when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) rental income, on a time proportion basis over the lease terms; and

(c) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Employee benefits

Pension obligations

The Group contributes on a monthly basis to various defined contribution retirement benefit plans organized by relevant municipal and provincial governments in the PRC. The municipal and provincial governments undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans and the Group has no further obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized as part of the cost of those assets. The capitalization of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Other borrowing costs are recognized as expenses in the statement of comprehensive income in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognized as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognized immediately as a liability when they are proposed and declared.

Foreign currencies

The functional currency of the Company is Hong Kong dollar ("HK$") while the presentation currency of the Company for the Financial Information is RMB. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to the statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial statements:

Operating lease commitments - Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of trade and other receivables

The provision policy for doubtful debts of the Group is based on the ongoing evaluation of the collectability and aging analysis of the outstanding receivables and on the management's judgement. A considerable amount of judgement is required in assessing the ultimate realization of these receivables, including creditworthiness and the past collection history of each customer. If the financial conditions of the customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment may be required. As at 31 December 2007, 2008 and 2009, impairment loss of RMB7,271,000, RMB8,530,000 and RMB8,506,000, have been recognized for trade receivables.

Provision for obsolete inventories

Management reviews the ageing analysis of inventories of the Group at the end of each reporting period, and makes provision for obsolete and slow moving inventory items identified that are no longer suitable for sale. Management estimates the net realizable value for such inventories based primarily on the latest invoice prices and current market conditions. As at 31 December 2007, 2008 and 2009, the Group had inventories that were measured at net realizable value (where lower than cost) of RMB3,617,000, RMB2,738,000 and RMB3,096,000, respectively.

5. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the manufacture and sale of plastic pipes and pipe fittings. For management purposes, the Group is organized into geographical areas based on the location of the customers and assets are attributable to the geographical unit based on the location of the assets. The Group has eight reportable operating segments as follows:

(a) Southern China, including Guangdong Province, Guangxi Zhuang Autonomous Region, Hunan Province, Fujian Province and Hainan Province;

(b) Southwestern China, including Chongqing Municipality, Sichuan Province, Guizhou Province, Yunnan Province and Xizang (Tibet) Autonomous Region;

(c) Central China, including Hubei Province, Jiangxi Province and Henan Province;

(d) Eastern China, including Shanghai Municipality, Jiangsu Province, Zhejiang Province and Anhui Province;

(e) Northern China, including Beijing Municipality, Tianjin Municipality, Hebei Province, Shandong Province, Inner Mongolia Autonomous Region and Shanxi Province;

(f) Northwestern China, including Shaanxi Province, Ningxia Hui Autonomous Region, Qinghai Province, Gansu Province and Xinjiang Uygur Autonomous Region;

(g) Northeastern China, including Liaoning Province, Jilin Province and Heilongjiang Province; and

(h) Outside China.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax from continuing operations. The adjusted profit before tax from continuing operations is measured consistently with the Group's profit before tax from continuing operations except that interest income, finance costs, share of losses of a jointly-controlled entity and other unallocated operating income and expenses are excluded from such measurement.

Segment assets exclude interest in a jointly-controlled entity, deferred tax assets, restricted cash, cash and cash equivalents, amounts due from related companies and other unallocated head office and corporate assets as these assets are managed on a group basis.

Intersegment revenues are eliminated on consolidation. Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

The Group's revenue from external customers is derived from its operations both in the PRC and foreign countries.

During the Relevant Years, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

Operating segment information for the year ended 31 December 2007

	Continuing operations											
	Southern China	Southwestern China	Central China	Eastern China	Northern China	Northwestern China	Northeastern China	Outside China	Eliminations	Consolidated	Discontinued operations	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue:												
External customers	1,692,705	281,872	209,750	167,987	129,735	45,372	48,853	41,974	—	2,618,248	403,239	3,021,487
Intersegment sales	1,490	1,852	—	—	—	—	1,897	—	(5,239)	—	—	—
Total	1,694,195	283,724	209,750	167,987	129,735	45,372	50,750	41,974	(5,239)	2,618,248	403,239	3,021,487
Segment results	218,405	31,819	27,174	21,628	16,690	5,842	6,453	5,410	(577)	332,844	23,822	356,666
Reconciliation:												
Unallocated operating income and expenses										(205,196)	(19,745)	(224,941)
Interest income										561	65	626
Finance costs										(27,460)	(1,832)	(29,292)
Share of losses of a jointly-controlled entity										(4,506)	—	(4,506)
Gain on disposal of a subsidiary										—	221	221
Profit before tax										96,243	2,531	98,774
Segment assets	1,026,002	83,739	100,352	56,116	158,160	9,360	45,056	19,253	—	1,498,038	292,860	1,790,898
Reconciliation:												
Interest in a jointly-controlled entity										40,700	—	40,700
Deferred tax assets										895	544	1,439
Restricted cash										10,909	—	10,909
Cash and cash equivalents										163,338	23,299	186,637
Other unallocated assets										13,499	4,085	17,584
Total assets										1,727,379	320,788	2,048,167
Other segment information:												
Depreciation and amortization	31,402	3,896	5,634	278	—	—	719	—	—	41,929	1,793	43,722
Capital expenditure	89,010	6,557	9,215	35,321	25,589	—	3,983	—	—	169,675	61,167	230,842
Impairment of trade receivables, net	3,177	—	489	—	—	—	—	—	—	3,666	—	3,666
Write-down of inventories to net realizable value	494	—	—	—	—	—	—	—	—	494	—	494

Note: Capital expenditure consists of additions of property, plant and equipment, prepaid land lease payments, other intangible assets and investment properties.

Operating segment information for the year ended 31 December 2008

	Continuing operations											
	Southern China	Southwestern China	Central China	Eastern China	Northern China	Northwestern China	Northeastern China	Outside China	Eliminations	Consolidated	Discontinued operations	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue:												
External customers	2,398,985	396,652	310,229	149,170	196,215	59,558	56,941	50,776	—	3,618,526	316,171	3,934,697
Intersegment sales	177,685	111,351	230,470	1,483	55,716	—	10,170	—	(586,875)	—	—	—
Total	2,576,670	508,003	540,699	150,653	251,931	59,558	67,111	50,776	(586,875)	3,618,526	316,171	3,934,697
Segment results	344,448	66,007	76,472	24,163	30,545	9,821	9,694	5,248	(62,291)	504,107	24,892	528,999
Reconciliation:												
Unallocated operating income and expenses										(270,033)	(17,267)	(287,300)
Interest income										698	41	739
Finance costs										(45,894)	(2,733)	(48,627)
Share of losses of a jointly-controlled entity										(4,969)	—	(4,969)
Loss on disposal of subsidiaries										—	(23,070)	(23,070)
Gain on disposal of a jointly-controlled entity										4,969	—	4,969
Profit before tax										188,878	(18,137)	170,741
Segment assets	1,266,767	122,144	202,767	87,684	186,680	21,941	70,153	20,887	—	1,979,023	—	1,979,023
Reconciliation:												
Deferred tax assets										1,535	—	1,535
Restricted cash										2,780	—	2,780
Cash and cash equivalents										135,947	—	135,947
Other unallocated assets										10,070	—	10,070
Total assets										2,129,355	—	2,129,355
Other segment information:												
Depreciation and amortization	39,079	4,706	6,335	305	2,889	—	1,147	97	—	54,558	4,958	59,516
Capital expenditure	106,453	10,149	29,766	34,064	96,490	5,636	51,801	387	—	334,746	22,930	357,676
Impairment of trade receivables, net	2,074	—	—	—	—	—	—	—	—	2,074	—	2,074
Write-down of inventories to net realizable value	268	—	—	—	1,751	—	—	—	—	2,019	—	2,019

Note: Capital expenditure consists of additions of property, plant and equipment, prepaid land lease payments, other intangible assets and investment properties.

Operating segment information for the year ended 31 December 2009

	Southern China	Southwestern China	Central China	Eastern China	Northern China	Northwestern China	Northeastern China	Outside China	Eliminations	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue:										
External customers	3,717,188	487,509	483,259	168,423	270,033	91,053	72,606	32,173	—	5,322,244
Intersegment sales	294,925	135,695	153,187	17,267	50,063	—	7,801	—	(658,938)	—
Total	4,012,113	623,204	636,446	185,690	320,096	91,053	80,407	32,173	(658,938)	5,322,244
Segment results	881,540	126,973	125,990	43,686	58,650	20,491	19,559	7,331	(70,981)	1,213,239
Reconciliation:										
Unallocated operating income and expenses										(380,056)
Interest income										2,706
Finance costs										(36,475)
Profit before tax										799,414
Segment assets	1,754,553	244,622	292,690	209,382	285,978	69,777	130,030	7,871	—	2,994,903
Reconciliation:										
Deferred tax assets										7,314
Restricted cash										125,133
Cash and cash equivalents										361,767
Other unallocated assets										9,634
Total assets										3,498,751
Other segment information:										
Depreciation and amortization	46,019	5,965	7,811	2,103	9,801	397	2,103	890	—	75,089
Capital expenditure	340,189	71,076	57,122	67,515	56,178	45,598	54,961	6,348	(8,340)	690,647
Impairment of trade receivables, net	6,921	739	(488)	—	—	—	—	—	—	7,172
Write-back of inventories to net realizable value	(293)	—	—	—	(1,229)	—	—	—	—	(1,522)

Note: Capital expenditure consists of additions of property, plant and equipment, prepaid land lease payments and other intangible assets.

6. REVENUE, OTHER REVENUE, INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts (net of value-added tax) during the Relevant Years.

An analysis of the Group's revenue, other revenue, income and gains is as follows:

	Notes	Year ended 31 December 2007	2008	2009
		RMB'000	RMB'000	RMB'000
Revenue				
Sale of goods		3,021,487	3,934,697	5,322,244
Represented by:				
Revenue attributable to continuing operations		2,618,248	3,618,526	5,322,244
Revenue attributable to discontinued operations		403,239	316,171	—
		3,021,487	3,934,697	5,322,244
Other revenue, income and gains				
Gross rental income from leasing of properties		4,261	5,355	2,442
Gain on disposal of a jointly-controlled entity	17	—	4,969	—
Gain on disposal of a subsidiary	30(b)	221	—	—
Gain on sale of raw materials		167	6,743	6,124
Income from the provision of utilities		—	3,965	8,262
Bank interest income		626	739	2,706
Government grants and subsidies		1,676	2,685	2,106
Others		612	1,856	1,236
		7,563	26,312	22,876
Represented by:				
Other revenue, income and gains attributable to continuing operations		3,148	21,717	22,876
Other revenue, income and gains attributable to discontinued operations		4,415	4,595	—
		7,563	26,312	22,876

Government grants and subsidies represented funding received from government authorities to support certain of the Group's research and development activities. There are no unfulfilled conditions or contingencies related to these grants and subsidies.

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):#

	Notes	Year ended 31 December 2007	2008	2009
		RMB'000	RMB'000	RMB'000
Cost of inventories sold		2,664,327	3,403,678	4,110,527
Depreciation	14,15	41,785	56,406	70,797
Recognition of prepaid land lease payments	16	1,928	2,940	4,031
Amortization of other intangible assets		9	170	261
Research and development costs*		11,608	11,177	20,801
(Gain)/loss on disposal of subsidiaries	11,30	(221)	23,070	—
Loss on disposal of items of property, plant and equipment		—	217	828
Minimum lease payments under operating leases in respect of land and buildings		1,915	7,334	10,336
Auditors' remuneration		161	267	2,731
Employee benefit expenses (including directors' remuneration (note 9(a))):				
Wages and salaries		110,523	188,789	188,606
Pension scheme contributions (defined contribution scheme)		10,711	17,594	25,681
Staff welfare and other expenses		9,447	9,056	9,522
		130,681	215,439	223,809
Impairment of trade receivables, net*	20	3,666	2,074	7,172
Write-down/(write-back) of inventories to net realizable value		494	2,019	(1,522)
Net rental income		(2,357)	(3,278)	(1,065)

* *Research and development costs and the impairment of trade receivables, net are included in "Other operating expenses, net" on the face of the consolidated statements of comprehensive income.*

\# *The disclosure presented in this note for the two years ended 31 December 2007 and 2008 included those amounts charged/credited in respect of the discontinued operations.*

8. FINANCE COSTS

	Year ended 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Interest on bank loans	29,292	48,627	36,475
Represented by:			
Finance costs attributable to continuing operations	27,460	45,894	36,475
Finance costs attributable to discontinued operations	1,832	2,733	—
	29,292	48,627	36,475

9. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

(a) Directors' remuneration

Directors' remuneration for the Relevant Years, disclosed pursuant to the Listing Rules and Section 161 of the Companies Ordinance, is as follows:

	Year ended 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Fees	—	—	—
Other emoluments:			
Salaries, allowances and benefits in kind	1,590	2,144	2,147
Performance related bonuses	1,800	1,660	1,900
Pension scheme contributions	84	139	211
	3,474	3,943	4,258

The remuneration of each of the directors for the year ended 31 December 2007 is set out below:

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:					
Mr. Wong Luen Hei	—	240	300	12	552
Ms. Zuo Xiaoping	—	240	250	15	505
Mr. Zuo Manlun	—	240	250	15	505
Mr. Lai Zhiqiang	—	180	200	10	390
Mr. Chen Guonan	—	180	200	10	390
Mr. Kong Zhaocong	—	180	200	8	388
Mr. Lin Shaoquan	—	170	200	7	377
Mr. Huang Guirong	—	160	200	7	367
Mr. Luo Jianfeng	—	—	—	—	—
	—	1,590	1,800	84	3,474
Non-executive director:					
Mr. Lin Dewei	—	—	—	—	—
Independent non-executive directors:					
Mr. Bai Chongen	—	—	—	—	—
Mr. Fung Pui Cheng	—	—	—	—	—
Mr. Wong Kwok Ho, Jonathan	—	—	—	—	—
	—	—	—	—	—
	—	1,590	1,800	84	3,474

The remuneration of each of the directors for the year ended 31 December 2008 is set out below:

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:					
Mr. Wong Luen Hei	—	328	300	19	647
Ms. Zuo Xiaoping	—	328	250	22	600
Mr. Zuo Manlun	—	328	250	22	600
Mr. Lai Zhiqiang	—	235	200	17	452
Mr. Chen Guonan	—	215	200	17	432
Mr. Kong Zhaocong	—	235	200	14	449
Mr. Lin Shaoquan	—	235	130	15	380
Mr. Huang Guirong	—	240	130	13	383
Mr. Luo Jianfeng	—	—	—	—	—
	—	2,144	1,660	139	3,943
Non-executive director:					
Mr. Lin Dewei	—	—	—	—	—
Independent non-executive directors:					
Mr. Bai Chongen	—	—	—	—	—
Mr. Fung Pui Cheng	—	—	—	—	—
Mr. Wong Kwok Ho, Jonathan	—	—	—	—	—
	—	—	—	—	—
	—	2,144	1,660	139	3,943

The remuneration of each of the directors for the year ended 31 December 2009 is set out below:

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:					
Mr. Wong Luen Hei	—	336	330	29	695
Ms. Zuo Xiaoping	—	336	280	33	649
Mr. Zuo Manlun	—	336	280	33	649
Mr. Lai Zhiqiang	—	240	220	29	489
Mr. Chen Guonan	—	240	220	25	485
Mr. Kong Zhaocong	—	240	220	29	489
Mr. Lin Shaoquan	—	239	200	22	461
Mr. Huang Guirong	—	180	150	11	341
Mr. Luo Jianfeng	—	—	—	—	—
	—	2,147	1,900	211	4,258
Non-executive director:					
Mr. Lin Dewei	—	—	—	—	—
Independent non-executive directors:					
Mr. Bai Chongen	—	—	—	—	—
Mr. Fung Pui Cheng	—	—	—	—	—
Mr. Wong Kwok Ho, Jonathan	—	—	—	—	—
	—	—	—	—	—
	—	2,147	1,900	211	4,258

During the Relevant Years, no director waived or agreed to waive any emoluments and no emoluments were paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office.

There were no other emoluments paid or payable to the independent non-executive directors during the Relevant Years.

(b) Five highest paid employees

The five highest paid employees of the Group during the Relevant Years are all directors. Details of the remuneration of the directors during the Relevant Years are set out in note 9(a) above.

10. INCOME TAX EXPENSE

	Year ended 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Current — PRC			
Charge for the year	18,217	27,860	130,866
Deferred (note 26)	(923)	6,967	24,577
Total tax charge for the year	17,294	34,827	155,443
Represented by:			
Tax charge attributable to continuing operations	16,938	34,221	155,443
Tax charge attributable to discontinued operations (note 11)	356	606	—
	17,294	34,827	155,443

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Hong Kong profits tax

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the Relevant Years.

PRC corporate income tax ("CIT")

The income tax provision of the Group in respect of its operations in Mainland China has been calculated at the applicable tax rates on the taxable profits for each of the Relevant Years, based on the existing legislation, interpretations and practices in respect thereof.

Pursuant to the then applicable PRC national and local tax laws, except for certain preferential tax treatment available to certain of the Group's subsidiaries, the Group's subsidiaries located in Mainland China were subject to CIT at the statutory rate of 33% during the year ended 31 December 2007.

During the 5th session of the 10th National People's Congress, which was concluded on 16 March 2007, the PRC Corporate Income Tax Law (the "New Corporate Income Tax Law") was approved and became effective on 1 January 2008. The New Corporate Income Tax Law introduced a wide range of changes which included, but are not limited to, the unification of the income tax rates for domestic-invested and foreign-invested enterprises, which resulted in a reduction of CIT rate from 33% to 25%. The effect of this change has been reflected in the calculation of deferred taxes as at 31 December 2007.

Guangdong Liansu Technology and Liansu Machinery are located in the Coastal Open Economic Zones of China and are subject to the region's preferential CIT rate of 27% for the year ended 31 December 2007. The other major tax concessions applicable to the entities within the Group are detailed as follows:

Name of company	Details of tax concessions
Guangdong Liansu Technology	Guangdong Liansu Technology was assessed as a "High and New Technology Enterprise" in 2008 and was subject to CIT at a reduced rate of 15% for the two years ended 31 December 2008 and 2009.
Liansu Municipal	Liansu Municipal is a foreign invested enterprise ("FIE") which engages in manufacturing and is exempted from CIT for two years commencing from its first year with assessable profits after deducting tax losses brought forward, and is entitled to a 50% tax reduction for the subsequent three years (the "FIE Tax Holiday"). Liansu Municipal's first profit-making year was the year ended 31 December 2006 which was also the first year of its FIE Tax Holiday. Accordingly, it was exempted from CIT for the two years ended 31 December 2006 and 2007 and is subject to CIT at a reduced rate of 12.5% for the three years ending 31 December 2010.
Heshan Liansu	Heshan Liansu is a FIE which engages in manufacturing and is entitled to the FIE Tax Holiday. Heshan Liansu's first profit-making year was the year ended 31 December 2007 which was also the first year of its FIE Tax Holiday. Accordingly, it was exempted from CIT for the two years ended 31 December 2007 and 2008 and is subject to CIT at a reduced rate of 12.5% for the three years ending 31 December 2011.
Hebei Liansu.........................	Hebei Liansu is a FIE which engages in manufacturing and is entitled to the FIE Tax Holiday. Hebei Liansu's first profit-making year was the year ended 31 December 2008 which was also the first year of its FIE Tax Holiday. Accordingly, it was exempted from CIT for the two years ended 31 December 2008 and 2009 and is subject to CIT at a reduced rate of 12.5% for the three years ending 31 December 2012.
Nanjing Liansu	Nanjing Liansu is a FIE which engages in manufacturing and is entitled to the FIE Tax Holiday. Nanjing Liansu's first year of its FIE Tax Holiday was the year ended 31 December 2008. Accordingly, it was exempted from CIT for the two years ended 31 December 2008 and 2009 and is subject to CIT at a reduced rate of 12.5% for the three years ending 31 December 2012.

Name of company	Details of tax concessions
Guiyang Liansu	Guiyang Liansu is a FIE which engages in manufacturing and is entitled to the FIE Tax Holiday. Guiyang Liansu's first profit-making year was the year ended 31 December 2006 which was also the first year of its FIE Tax Holiday. Accordingly, it was exempted from CIT for the two years ended 31 December 2006 and 2007 and is subject to CIT at a reduced rate of 12.5% for the three years ending 31 December 2010.
Wuhan Liansu	Wuhan Liansu was entitled to a CIT rate of 24% before the implementation of the New Corporate Income Tax Law as it is a FIE which engages in manufacturing in Wuhan, one of the five cities along the Yangtze River which could enjoy such special tax preferential treatment. In the meantime, 3% of local income tax was exempted by the local government. Wuhan Liansu was also entitled to the FIE Tax Holiday. Its first profit-making year was the year ended 31 December 2004 which was also the first year of its FIE Tax Holiday. Accordingly, it was exempted from CIT for the two years ended 31 December 2004 and 2005 and was subject to CIT at a reduced rate of 12%, 12% and 12.5%, for the three years ended 31 December 2006, 2007 and 2008, respectively. Wuhan Liansu was assessed as a "High and New Technology Enterprise" in 2009 and was subject to CIT at a reduced rate of 15% for the year ended 31 December 2009.
Liansu Machinery	Liansu Machinery is a FIE which engages in manufacturing and is entitled to the FIE Tax Holiday. Liansu Machinery's first profit-making year was the year ended 31 December 2006 which was also the first year of its FIE Tax Holiday. Accordingly, it was exempted from CIT for the two years ended 31 December 2006 and 2007 and is subject to CIT at a reduced rate of 12.5% for the three years ending 31 December 2010.

A reconciliation of the tax expense applicable to profit before tax at the statutory tax rate to the tax expense at the effective tax rate for each of the Relevant Years is as follows:

	Year ended 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Profit before tax (including profit/(loss) from discontinued operations)	98,774	170,741	799,414
Tax at the PRC corporate income tax rate	32,595	42,685	199,854
Overseas tax differential	754	66	776
Effect of tax concession for certain subsidiaries	(21,953)	(27,767)	(85,779)
Income not subject to tax	(80)	(930)	(318)
Expenses not deductible for tax	2,638	10,044	8,432
Losses attributable to a jointly-controlled entity	788	820	—
Effect of lower enacted tax rate used for the recognition of deferred tax	524	—	—
Tax losses utilized from previous years	—	(389)	(140)
Tax losses not recognized	2,028	2,610	2,157
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries#	—	7,688	30,461
Tax charge at the Group's effective rate	17,294	34,827	155,443

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of their earnings generated from 1 January 2008.

11. DISCONTINUED OPERATIONS

In 2008, the Group decided to dispose of its interests in certain subsidiaries which carried out property development and investment, plastic extrusion equipment manufacturing and plastic polymers trading businesses because it planned to focus its resources on its core business of manufacturing plastic pipes and pipe fittings. The disposals of these entities were all completed during the year ended 31 December 2008, details of which are set out in note 30.

The results of the discontinued operations are presented below:

	Year ended 31 December	
	2007	2008
	RMB'000	RMB'000
Revenue, other revenue, income and gains	407,654	320,766
Total expenses	(405,344)	(315,833)
Profit of the discontinued operations	2,310	4,933
Gain/(loss) recognized on disposal of the discontinued operations	221	(23,070)
Profit/(loss) before tax from the discontinued operations	2,531	(18,137)
Income tax expense (note 10)	(356)	(606)
Profit/(loss) for the year from the discontinued operations	2,175	(18,743)

The net cash flows incurred by the discontinued operations are presented as follows:

	Year ended 31 December	
	2007	2008
	RMB'000	RMB'000
Operating activities	(4,484)	(60,106)
Investing activities	(45,861)	(20,777)
Financing activities	68,651	62,466
Net cash inflow/(outflow)	18,306	(18,417)

12. DIVIDENDS

No dividend has been declared by the Company since its incorporation.

13. EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful.

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings	Plant and machinery	Furniture, fixtures and office equipment	Motor vehicles	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2007, net of accumulated depreciation	190,232	191,103	7,441	14,150	242	28,566	431,734
Additions	5,613	50,856	3,810	12,589	360	86,400	159,628
Transfers	53,662	5,604	—	—	1,599	(60,865)	—
Disposals	—	(3,733)	(41)	(11)	—	—	(3,785)
Depreciation	(9,821)	(22,791)	(1,973)	(5,143)	(273)	—	(40,001)
At 31 December 2007 and 1 January 2008, net of accumulated depreciation	239,686	221,039	9,237	21,585	1,928	54,101	547,576
Additions	10,507	133,997	3,792	7,744	451	124,192	280,683
Transfers	90,073	6,371	926	—	—	(97,370)	—
Disposals	(30)	(14,622)	(468)	(1,017)	—	(4,796)	(20,933)
Depreciation	(13,889)	(31,958)	(2,549)	(6,096)	(483)	—	(54,975)
Acquisition of a subsidiary (note 29)	5,168	11,599	132	86	—	51	17,036
Disposal of subsidiaries (note 30)	(3,541)	(24,173)	(2,160)	(3,448)	(556)	(665)	(34,543)
At 31 December 2008 and 1 January 2009, net of accumulated depreciation	327,974	302,253	8,910	18,854	1,340	75,513	734,844
Additions	5,761	268,183	6,791	17,784	1,111	357,335	656,965
Transfers	76,217	65,643	573	122	932	(143,487)	—
Disposals	(5,076)	(12,511)	(289)	(481)	—	—	(18,357)
Depreciation	(16,569)	(44,748)	(2,623)	(6,423)	(434)	—	(70,797)
Acquisition of a subsidiary (note 29)	—	17	63	—	—	—	80
At 31 December 2009, net of accumulated depreciation	388,307	578,837	13,425	29,856	2,949	289,361	1,302,735
At 1 January 2007							
Cost	199,560	223,893	9,703	25,067	249	28,566	487,038
Accumulated depreciation	(9,328)	(32,790)	(2,262)	(10,917)	(7)	—	(55,304)
Net carrying amount	190,232	191,103	7,441	14,150	242	28,566	431,734
At 31 December 2007 and 1 January 2008							
Cost	258,836	275,736	13,431	37,632	2,208	54,101	641,944
Accumulated depreciation	(19,150)	(54,697)	(4,194)	(16,047)	(280)	—	(94,368)
Net carrying amount	239,686	221,039	9,237	21,585	1,928	54,101	547,576
At 31 December 2008 and 1 January 2009							
Cost	361,870	384,035	14,579	38,395	1,783	75,513	876,175
Accumulated depreciation	(33,896)	(81,782)	(5,669)	(19,541)	(443)	—	(141,331)
Net carrying amount	327,974	302,253	8,910	18,854	1,340	75,513	734,844
At 31 December 2009							
Cost	437,242	698,986	20,524	54,955	3,826	289,361	1,504,894
Accumulated depreciation	(48,935)	(120,149)	(7,099)	(25,099)	(877)	—	(202,159)
Net carrying amount	388,307	578,837	13,425	29,856	2,949	289,361	1,302,735

Certain of the Group's interest-bearing bank loans were secured by certain of the Group's buildings and machinery, which had aggregate net carrying amounts of approximately RMB79,817,000, RMB165,218,000 and RMB303,841,000 as at 31 December 2007, 2008 and 2009, respectively (note 33).

15. INVESTMENT PROPERTIES

Group

	2007	2008
	RMB'000	RMB'000
Cost at 1 January, net of accumulated depreciation	78,177	78,483
Additions	2,090	10,203
Depreciation provided during the year	(1,784)	(1,431)
Disposal of subsidiaries (note 30(a))	—	(87,255)
At 31 December	78,483	—
At 31 December:		
Cost	80,267	—
Accumulated depreciation	(1,784)	—
Net carrying amount	78,483	—

The Group's investment properties were situated in the PRC.

The Group's investment properties were valued at 31 December 2007 by CB Richards Ellis, independent professionally qualified valuers at RMB129,300,000, by reference to market evidence of transaction prices for similar properties. The investment properties were leased to third parties under operating leases, further summary of which are included in note 34.

Certain of the Group's interest-bearing bank loans were secured by certain of the Group's investment properties, which had an aggregate amount of approximately RMB60,165,000 as at 31 December 2007 (note 33).

16. PREPAID LAND LEASE PAYMENTS

Group

	Notes	2007	2008	2009
		RMB'000	RMB'000	RMB'000
At beginning of year		107,832	113,636	180,811
Additions		69,046	65,554	33,335
Acquisition of a subsidiary	29(a)	—	20,620	—
Recognized during the year	7	(1,928)	(2,940)	(4,031)
Disposal of subsidiaries	30	(61,314)	(16,059)	—
At end of year		113,636	180,811	210,115
Current portion included in prepayments, deposits and other receivables	21	(2,359)	(3,917)	(4,599)
Non-current portion		111,277	176,894	205,516

Certain of the Group's interest-bearing bank loans were secured by certain of the Group's prepaid land lease payments, which had aggregate carrying amounts of approximately RMB74,097,000, RMB24,219,000 and RMB53,513,000 as at 31 December 2007, 2008 and 2009, respectively (note 33).

17. INTEREST IN A JOINTLY-CONTROLLED ENTITY

Group

Interest in a jointly-controlled entity represented the share of net assets of Guizhou Zunyi Lianhe Electrochemical Co., Ltd. ("Guizhou Zunyi") as at 31 December 2007.

Particulars of the jointly-controlled entity are as follows:

Company name	Place and date of establishment	Paid-in capital	Percentage of ownership interest attributable to the Group as at 31 December 2007	Principal activities
Guizhou Zunyi Lianhe Electrochemical Co., Ltd. (貴州遵義聯和電化有限公司)*	PRC 19 January 2004	RMB80,000,000	60%	Manufacture and sale of carbide products

* *The name of this company referred to in this report represents management's best effort at translating the Chinese name of the company as no English name has been registered.*

Pursuant to the articles of association of Guizhou Zunyi and the joint venture contract of Guizhou Zunyi entered into between Liansu HK and Zunyi Chlorine Alkali Co., Ltd. ("Zunyi Chlorine Alkali or "遵義氯碱股份有限公司" in Chinese), the joint venture partner, the board of directors of Guizhou Zunyi was jointly controlled by Liansu HK and Zunyi Chlorine Alkali. As a result, notwithstanding Liansu HK held a 60% equity interest in Guizhou Zunyi, it did not exercise unilateral control over Guizhou Zunyi. Guizhou Zunyi was, therefore, accounted for as a jointly-controlled entity of the Group. The amount due from the Group's jointly-controlled entity is disclosed in note 36(a).

The following table illustrates the summarized financial information of the Group's jointly-controlled entity:

Share of the jointly-controlled entity's results:

	Year ended 31 December	
	2007	**2008**
	RMB'000	**RMB'000**
Total revenue, other revenue, income and gains	145,200	68,575#
Total expenses	(149,706)	(73,544)#
Loss after tax	(4,506)	(4,969)

Represented the operating results of the Group's jointly-controlled entity from 1 January 2008 to the date immediately before its disposal by the Group.

Share of the jointly-controlled entity's assets and liabilities:

	As at 31 December 2007
	RMB'000
Assets	54,199
Liabilities	(13,499)
Net assets	40,700

On 12 April 2008, Liansu HK disposed of its entire 60% equity interest in Guizhou Zunyi to Zunyi Chlorine Alkali, an independent third party, at a cash consideration of RMB40,700,000, determined with reference to the net assets value of Guizhou Zunyi as at 31 December 2007. The gain on disposal of Guizhou Zunyi, amounting to RMB4,969,000, was included in "Other revenue, income and gains" on the face of the consolidated statements of comprehensive income (note 6).

18. INTERESTS IN SUBSIDIARIES

Company

	As at 31 December 2009
	RMB'000
Unlisted investments, at cost	—
Amounts due from subsidiaries	694,194
	694,194

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment. The Directors consider that the carrying amounts of the amounts due from subsidiaries approximate to their fair values as at 31 December 2009.

19. INVENTORIES

Group

	As at 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Raw materials	386,193	373,388	384,619
Work in progress	2,809	10,433	17,917
Finished goods	62,301	200,310	340,971
	451,303	584,131	743,507

Certain of the Group's interest-bearing bank loans were secured by certain of the Group's inventories, which had aggregate carrying amounts of approximately RMB122,499,000 and RMB102,591,000 as at 31 December 2007 and 2008, respectively (note 33).

20. TRADE AND BILLS RECEIVABLES

Group

	As at 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Trade receivables	244,680	211,777	468,355
Bills receivable	—	—	6,886
Less: Impairment provision	(7,271)	(8,530)	(8,506)
	237,409	203,247	466,735

The Group's major customers are independent distributors, civil contractors, property developers, utility companies and municipalities in China. Depending on the market condition, the Group's trading terms with its independent distributors may change from giving a credit period of generally one month to settlement on an advance receipt basis. The Group does not have a standardised and universal credit period granted to the non-distributor customers. The credit period of an individual non-distributor customer is considered on a case-by-case basis and is set out in the sales contracts, as appropriate. Sales to small, new, or short term customers are normally expected to be settled on an advance receipt basis or shortly after the goods delivery. No credit term period is set by the Group for small, new and short term customers.

Trade and bills receivables are unsecured and non-interest-bearing. The carrying amounts of trade and bills receivables approximate to their fair values.

An aged analysis of the trade and bills receivables of the Group as at the end of each reporting period, based on the invoice date and net of provisions, is as follows:

	As at 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Within 3 months	135,706	127,008	396,252
4 to 6 months	29,345	36,768	42,160
7 to 12 months	35,594	25,309	15,837
1 to 2 years	36,023	11,249	10,144
2 to 3 years	741	2,913	1,942
Over 3 years	—	—	400
	237,409	203,247	466,735

Movements in the provision for impairment of trade receivables of the Group are as follows:

	2007	2008	2009
	RMB'000	RMB'000	RMB'000
At beginning of year	3,605	7,271	8,530
Impairment losses recognized (note 7)	3,666	2,074	7,172
Amount written off as uncollectible	—	—	(7,196)
Disposal of subsidiaries	—	(815)	—
At end of year	7,271	8,530	8,506

The above provision of RMB7,271,000, RMB8,530,000 and RMB8,506,000 as at 31 December 2007, 2008 and 2009 is all for individually impaired trade receivables with their carrying amounts before provision of RMB7,271,000, RMB8,580,000 and RMB8,506,000. The individually impaired trade receivables relate to customers that were in default or delinquency in payments. The Group does not hold any collateral or other credit enhancements over these balances.

The aged analysis of trade and bills receivables of the Group that are neither individually nor collectively considered to be impaired are as follows:

	As at 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Neither past due nor impaired	108,631	106,436	398,432
Past due but not impaired			
Less than 3 months past due	55,445	47,002	41,023
4 to 6 months past due	22,440	32,717	16,215
7 to 12 months past due	14,029	8,403	6,551
1 to 2 years past due	35,489	5,776	3,657
2 to 3 years past due	633	2,913	457
Over 3 years past due	742	—	400
	237,409	203,247	466,735

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the Directors believe that no impairment provision is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Group

	Note	As at 31 December 2007	2008	2009
		RMB'000	RMB'000	RMB'000
Prepayments		281,445	203,989	198,178
Deferred expenses		10,323	7,965	9,304
Current portion of prepaid land lease payments	16	2,359	3,917	4,599
Value-added tax recoverable		1,563	2,445	27,151
Deposits		3,764	3,139	5,173
Other receivables		8,277	17,069	13,533
		307,731	238,524	257,938

The above balances are unsecured, interest-free and have no fixed terms of repayment.

22. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

Group

	As at 31 December 2007	2008	2009
	RMB'000	RMB'000	RMB'000
Cash and bank balances	197,546	138,727	486,900
Less: Restricted cash:			
Guarantee deposits as performance bonds	1,141	2,780	357
Guarantee deposits for issuance of bank acceptance notes	9,768	—	124,523
Guarantee deposits for issuance of letters of credit	—	—	253
	10,909	2,780	125,133
Cash and cash equivalents	186,637	135,947	361,767
Denominated in RMB (note)	191,767	133,311	452,419
Denominated in other currencies	5,779	5,416	34,481
	197,546	138,727	486,900

Note:

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances and restricted cash are deposited with creditworthy banks with no recent history of default.

23. TRADE AND BILLS PAYABLES

Group

	As at 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Trade payables	61,428	39,667	102,338
Bills payable	137,612	—	130,364
	199,040	39,667	232,702

The trade payables are non-interest-bearing. The average credit period for trade purchases is 30 days to 90 days.

An aged analysis of the trade and bills payables of the Group as at the end of each reporting period, based on the invoice date, is as follows:

	As at 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Within 3 months	70,769	36,407	176,086
4 to 6 months	125,550	2,350	55,996
7 to 12 months	1,141	111	91
1 to 2 years	1,489	111	304
2 to 3 years	91	597	—
Over 3 years	—	91	225
	199,040	39,667	232,702

24. OTHER PAYABLES AND ACCRUALS

Group

	As at 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Advances from customers	282,181	325,404	233,687
Accruals	4,657	4,183	21,275
Salaries and welfare payables	10,251	28,865	39,836
Other payables	222,157	89,178	206,749
	519,246	447,630	501,547

The above balances are non-interest-bearing and have no fixed terms of repayment.

25. INTEREST-BEARING BANK LOANS

Group

	Contractual interest rate	Maturity	As at 31 December 2007	Contractual interest rate	Maturity	As at 31 December 2008	Contractual interest rate	Maturity	As at 31 December 2009
	(%)		RMB'000	(%)		RMB'000	(%)		RMB'000
Current									
Bank loans									
— secured (note 33)......	5.43-7.52	2008	495,600	5.67-8.22	2009	334,200	1.67-5.31	2010	229,100
— unsecured	6.73	2008	15,000	6.12-8.22	2009	82,500	2.77-5.84	2010	198,427
			510,600			416,700			427,527
Non-current									
Bank loans									
— secured (note 33)......	5.67-7.94	2009	88,000	7.56	2010	20,250	1.67-5.84	2011-2012	662,150
— unsecured			—	7.56	2010	31,750	5.4	2011	220,000
			88,000			52,000			882,150
			598,600			468,700			1,309,677

Group

	As at 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Analysed into bank loans repayable:			
Within one year or on demand....................................	510,600	416,700	427,527
In the second year	88,000	52,000	868,460
In the third year	—	—	13,690
	598,600	468,700	1,309,677

Company

	Contractual interest rate	Maturity	As at 31 December 2009
	(%)		RMB'000
Current			
Bank loan — secured	1.67	2010	176,100
Non-current			
Bank loan — secured	1.67	2011	264,150
			440,250

Company

	As at 31 December 2009
	RMB'000
Analysed into bank loans repayable:	
Within one year or on demand	176,100
In the second year	264,150
	440,250

The carrying amounts of all the Group's bank loans at the end of each reporting period are denominated in RMB, except for an unsecured bank loan of HK$30,000,000 (approximately RMB26,427,000 equivalent) and a secured bank loan of HK$500,000,000 (approximately RMB440,250,000 equivalent) as at 31 December 2009, which were denominated in Hong Kong dollars.

The carrying amount of the Company's bank loan was denominated in Hong Kong dollars.

Certain of the Group's bank loans are secured or guaranteed by:

(a) Pledges over certain of the Group's assets, details of which are set out in note 33;

(b) Pledges over certain of the assets of the Group's related parties, details of which are set out in note 36(f);

(c) Personal guarantees executed by certain directors and a member of key management personnel of the Company, details of which are set out in notes 36(e) (i) and (ii);

(d) Corporate guarantees executed by certain related companies of the Group, details of which are set out in note 36(e) (iii);

(e) Bank loans of RMB38,000,000 and RMB8,000,000 were jointly and severally guaranteed by certain third party individuals as at 31 December 2008 and 2009, respectively; and

(f) A corporate guarantee, amounting to RMB49,000,000, executed by Foshan EI TI Plastic as at 31 December 2008.

The Company's bank loan is secured by pledges over certain assets of a related company of the Group, details of which are set out in note 36(f).

The Directors estimate the fair value of the bank loans by discounting their future cash flows at the market rate. The Directors consider that the carrying amounts of the Group's and the Company's current borrowings and non-current borrowings approximate to their fair values at the end of each reporting period.

26. DEFERRED TAX

Group

The following are the major deferred tax assets/(liabilities) recognized and their movements during the Relevant Years:

	Provision for impairment of assets	Depreciation allowance in excess of related depreciation	Fair value adjustments arising from acquisition of a subsidiary	Withholding tax on distributable profits of subsidiaries in the PRC	Deferred government grants	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2007	516	—	—	—	—	516
Credited to the consolidated statement of comprehensive income for the year (note 10)	477	446	—	—	—	923
At 31 December 2007 and 1 January 2008	993	446	—	—	—	1,439
Credited/(charged) to the consolidated statement of comprehensive income for the year (note 10)	354	297	70	(7,688)	—	(6,967)
Disposals of subsidiaries (note 30)	(98)	(804)	—	—	—	(902)
Acquisition of a subsidiary (note 29(a))	97	250	(3,775)	—	—	(3,428)
At 31 December 2008 and 1 January 2009	1,346	189	(3,705)	(7,688)	—	(9,858)
Credited/(charged) to the consolidated statement of comprehensive income for the year (note 10)	(88)	(189)	105	(30,461)	6,056	(24,577)
At 31 December 2009	1,258	—	(3,600)	(38,149)	6,056	(34,435)

	As at 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Gross deferred tax assets recognized in the consolidated statements of financial position	1,439	1,535	7,314
Gross deferred tax liabilities recognized in the consolidated statements of financial position	—	(11,393)	(41,749)
	1,439	(9,858)	(34,435)

27. DEFERRED INCOME

Deferred income represented government grants received by the Group during the year ended 31 December 2009 as financial subsidies for its construction of new factory premises in Changchun. The grants received are released to the consolidated statement of comprehensive income over the expected useful lives of the relevant properties by equal annual installments. As the related assets were not ready for use as of 31 December 2009, no deferred income was released to the consolidated statement of comprehensive income for the year then ended.

28. SHARE CAPITAL

Company

	As at 31 December 2009
	RMB'000
Authorized:	
10,000,000,000 ordinary shares of HK$0.1 each	880,500
Issued and fully paid:	
4,000,000 ordinary shares of HK$0.1 each	352

(a) As of the date of incorporation of the Company, its authorized share capital was US$50,000 divided into 50,000 shares of US$1.00 each. On the same date, one share of US$1.00 par value was allotted and issued nil paid to the initial subscriber and was then transferred to New Fortune. On 10 November 2009, 49,999 shares of US$1.00 each were allotted and issued fully paid to New Fortune. On 20 November 2009, the authorized share capital of the Company was increased by HK$1,000,000,000 by creating an additional 10,000,000,000 shares of HK$0.1 each. On the same date, the Company issued 4,000,000 shares of HK$0.1 each to New Fortune and repurchased 50,000 issued shares of US$1.00 each from New Fortune, and reduced its authorized share capital by the cancellation of 50,000 shares of US$1.00 each.

(b) Pursuant to the written resolution of the shareholder of the Company dated 14 May 2010, the Company capitalized an amount of HK$199,600,000 (approximately RMB175,798,000 equivalent) owing to a director (note (a) of Section III).

(c) Pursuant to the written resolution of the shareholder of the Company dated 19 May 2010, the par value of each ordinary share was sub-divided from HK$0.1 each to HK$0.05 each.

29. ACQUISITION OF SUBSIDIARIES

(a) Acquisition of Zhongshan Walton

In April 2008, Liansu Electric acquired a 100% equity interest in Zhongshan Walton from certain independent third parties. Zhongshan Walton is principally engaged in the manufacture and sale of plastic-steel composite pipes. Pursuant to the S&P Agreement, Guangdong Liansu Technology acquired from Liansu Electric its entire equity interests in Zhongshan Walton at a cash consideration of RMB19,380,000 (the "Acquisition"). Prior to and after the Acquisition, Zhongshan Walton is indirectly controlled by Mr. Wong. Accordingly, the Acquisition was regarded as a common control transaction and was accounted for using the principles of merger accounting, as prescribed in Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combination" issued by the HKICPA. The Financial Information has been presented as if Zhongshan Walton has been included in the Group when Zhongshan Walton first came under the control of Mr. Wong in April 2008. The consideration paid by the Group to Liansu Electric for the Acquisition was accounted for as a distribution to Mr. Wong.

The fair values of the identifiable assets and liabilities of Zhongshan Walton as at the date of acquisition by Liansu Electric were as follows:

	Notes	Fair value
		RMB'000
Property, plant and equipment	14	17,036
Prepaid land lease payments	16	20,620
Deposits paid for the purchase of property, plant and equipment		164
Deferred tax assets		347
Inventories		35,695
Trade receivables		7,807
Prepayments, deposits and other receivables		9,196
Cash and bank balances		1,935
Trade payables		(2,184)
Other payables and accruals		(24,402)
Interest-bearing bank loans		(20,800)
Amounts due to directors		(12,000)
Deferred tax liabilities		(3,775)
		29,639
Total contribution from Mr. Wong, presented as merger reserve in the Financial Information		29,639

An analysis of the net inflow of cash and cash equivalents in respect of the acquisition of Zhongshan Walton is as follows:

	RMB'000
Cash consideration	—
Cash and bank balances acquired	1,935
Net inflow of cash and cash equivalents in respect of the acquisition of Zhongshan Walton	1,935

(b) Acquisition of Foshan Liansu

On 8 November 2009, Guangdong Liansu Technology acquired a 100% equity interest in Foshan Liansu from Foshan Xingzhan Investment Co., Ltd. ("Foshan Xingzhan" or "佛山市星展投資有限公司" in Chinese), an independent third party, at a cash consideration of RMB5,000,000. Foshan Liansu is principally engaged in trading of plastic pipes and pipe fittings.

The fair values of the identifiable assets and liabilities of Foshan Liansu as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	Note	Fair value recognized on acquisition	Previous carrying amount
		RMB'000	RMB'000
Property, plant and equipment	14	80	80
Inventories		25	25
Trade receivables		2,624	2,624
Prepayments, deposits and other receivables		3,344	3,344
Cash and bank balances		5,010	5,010
Trade payables		(43)	(43)
Other payables and accruals		(6,040)	(6,040)
		5,000	5,000
Satisfied by cash		5,000	

An analysis of the net inflow of cash and cash equivalents in respect of the acquisition of Foshan Liansu is as follows:

	RMB'000
Cash consideration	(5,000)
Cash and bank balances acquired	5,010
Net inflow of cash and cash equivalents in respect of the acquisition of Foshan Liansu	10

Since its acquisition, Foshan Liansu contributed RMB8,941,000 to the Group's revenue and RMB703,000 to the consolidated profit for the year ended 31 December 2009.

Had the acquisition taken place at the beginning of the year, the revenue of the Group and the profit of the Group for the year would have been RMB5,323,931,000 and RMB643,630,000, respectively.

30. DISPOSALS OF SUBSIDIARIES

(a) Disposals of subsidiaries to related parties

During the year ended 31 December 2008, the Group disposed of the following subsidiaries to certain related parties of the Group:

(i) On 8 September 2008, Liansu HK and Guangdong Liansu Technology transferred their equity interests of 32% and 68% in Yingxin Real Estate to Yan Sing Fu Sing Real Estate (Holdings) Limited ("Yan Sing Fu Sing" or "盈信富星地產集團有限公司" in Chinese), at a cash consideration of approximately RMB6,400,000 and RMB13,600,000, respectively. The consideration was determined with reference to the paid-in capital of Yingxin Real Estate as at 8 September 2008. Yan Sing Fu Sing is 100% owned by Mr. Wong. RMB13,600,000 was settled in cash and RMB6,400,000 was settled by offsetting the amount due to Mr. Wong.

(ii) On 26 December 2008, Liansu HK and Guangdong Liansu Technology transferred their equity interests of 49% and 51% in Liansu Machinery to Star Excel Investment Limited ("Star Excel"), at a cash consideration of approximately HK$9,800,000 (approximately RMB8,643,000 equivalent) and HK$10,210,000 (approximately RMB9,005,000 equivalent), respectively. The consideration was determined with reference to the paid-up capital of Liansu Machinery as at 8 December 2008. Star Excel is 100% owned by Mr. Wong. HK$10,210,000 was settled in cash and HK$9,800,000 was settled by offsetting the amount due to Mr. Wong.

(iii) On 17 June 2008, Liansu HK and Guangdong Liansu Technology transferred their equity interests of 49% and 51% in Guangdong Yunan Liansu Machinery Co., Ltd. ("Yunan Liansu Machinery" or "廣東郁南聯塑機器有限公司" in Chinese) to Star Excel at a cash consideration of approximately HK$6,000,000 (approximately RMB5,283,000 equivalent) and HK$4,572,000 (approximately RMB4,026,000 equivalent), respectively. The consideration was determined with reference to the paid-in capital of Yunan Liansu Machinery as at 17 June 2008. HK$4,572,000 was settled in cash and HK$6,000,000 was settled by offsetting the amount due to Mr. Wong.

The net assets of the subsidiaries disposed of to the Group's related parties during the year ended 31 December 2008 are as follows:

	Notes	RMB'000
Net assets disposed of:		
Property, plant and equipment	14	34,107
Investment properties	15	87,255
Prepaid land lease payments	16	16,059
Other intangible assets		113
Deposits paid for the purchase of property, plant and equipment		740
Deferred tax assets	26	902
Inventories		13,960
Trade receivables		37,721
Prepayments, deposits and other receivables		57,697
Amounts due from related companies		147,614
Cash and bank balances		3,831
Trade payables		(8,171)
Other payables and accruals		(165,943)
Interest-bearing bank loans		(7,000)
Amounts due to related companies		(159,695)
Tax payable		(381)
		58,809
Release of capital reserve		2,446
Income tax expense#		7,699
Loss on disposals of subsidiaries		(21,997)
		46,957
Satisfied by:		
Cash		26,631
Amounts due to directors		20,326
		46,957

\# *According to the Corporate Income Tax Law of the PRC and a PRC tax circular Caishui [2009] No.59 ("Circular 59"), gains arising from all corporate restructuring are subject to CIT unless a restructuring transaction satisfies certain prescribed conditions under the circular. Taxable gain arising from a restructuring transaction is calculated with reference to the fair market value of the asset under disposal at disposal date.*

Since the disposals of the Group's equity interests therein Yingxin Real Estate, Liansu Machinery and Yunan Liansu Machinery did not fulfill all the relevant prescribed conditions in the circular, taxable gains arising from such transactions were, therefore, subject to CIT. Accordingly, the Group has made CIT provision thereon these transactions in accordance with the requirements of Circular 59.

An analysis of the net inflow of cash and cash equivalents in respect of the disposals of subsidiaries to the related parties is as follows:

	RMB'000
Cash consideration received	26,631
Cash and bank balances disposed of	(3,831)
Net inflow of cash and cash equivalents in respect of the disposals of subsidiaries to the related parties	22,800

(b) Disposals of subsidiaries to third parties

During the two years ended 31 December 2007 and 2008, the Group disposed of the following subsidiaries to third parties:

(i) On 23 November 2007, Guangdong Liansu Technology disposed of its equity interest of 90% in Foshan Fuxing Real Estate Development Co., Ltd. ("Foshan Fuxing") to Foshan Shunde Foao Group Co., Ltd. (佛山市順德佛奧集團有限公司), an independent third party, at a cash consideration of RMB18,000,000. The consideration was determined with reference to the paid-in capital of Foshan Fuxing as at 23 November 2007. The principal activities of Foshan Fuxing was property development.

(ii) On 5 June 2008, Guangdong Liansu Technology disposed of its equity interest of 51.05% in Foshan EI TI Plastic to Foshan Xingzhan, at a cash consideration of RMB1,940,000. The consideration was determined with reference to the paid-in capital of Foshan EI TI Plastic as at 5 June 2008.

The net assets of the subsidiaries disposed of to third parties during the two years ended 31 December 2007 and 2008 are as follows:

	Notes	As at 31 December 2007 RMB'000	As at 31 December 2008 RMB'000
Net assets disposed of:			
Property, plant and equipment	14	—	436
Prepaid land lease payments	16	61,314	—
Other intangible assets		23	—
Inventories		359	26,093
Trade receivables		69	1,236
Prepayments, deposits and other receivables		38,486	36,628
Amounts due from related companies		—	85,150
Cash and bank balances		10	1,043
Trade payables		—	(53)
Other payables and accruals		(80,570)	(6,144)
Interest-bearing bank loans		—	(104,000)
Amounts due to related companies		—	(34,160)
Tax payable		—	(138)
Non-controlling interests		(1,912)	(2,238)
		17,779	3,853
Release of capital reserve		—	(840)
Gain/(loss) on disposals of subsidiaries		221	(1,073)
		18,000	1,940
Satisfied by:			
Cash		18,000	1,940

An analysis of the net inflow of cash and cash equivalents in respect of the disposals of subsidiaries to third parties during the years ended 31 December 2007 and 2008 is as follows:

	Year ended 31 December 2007 RMB'000	Year ended 31 December 2008 RMB'000
Cash consideration received	18,000	1,940
Cash and bank balances disposed of	(10)	(1,043)
Net inflow of cash and cash equivalents in respect of the disposals of subsidiaries to third parties	17,990	897

31. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

Major non-cash transactions

(a) As disclosed in note (3) to the consolidated statements of changes in equity in Section I, the Group acquired additional equity interests in certain subsidiaries from its related companies during the year ended 31 December 2007. The purchase considerations, amounting to RMB62,007,000 in aggregate, were settled via the amount due to Mr. Wong.

(b) As disclosed in note 30(a), the Group disposed of its equity interests in Yingxin Real Estate, Liansu Machinery and Yunan Liansu Machinery to its related parties during the year ended 31 December 2008. A portion of the consideration, amounting to RMB20,326,000, was settled via offsetting the amount due to Mr. Wong.

32. CONTINGENT LIABILITIES

At the end of each of the Relevant Years, neither the Group nor the Company had any significant contingent liabilities.

33. PLEDGE OF ASSETS

At the end of each of the Relevant Years, the following assets of the Group were pledged to certain banks for securing the bank loans granted to the Group:

		As at 31 December		
	Notes	2007	2008	2009
		RMB'000	RMB'000	RMB'000
Land	16	74,097	24,219	53,513
Buildings		66,159	134,426	232,193
Machinery and equipment		13,658	30,792	71,648
Inventories	19	122,499	102,591	—
Investment properties	15	60,165	—	—
		336,578	292,028	357,354

34. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties and certain production plants under operating lease arrangements, with leases negotiated for terms ranging from 1 to 8 years.

At the end of each of the Relevant Years, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	As at 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Within one year	4,141	746	1,890
In the second to fifth years, inclusive	10,387	2,898	2,880
After five years	13,992	1,260	540
	28,520	4,904	5,310

(b) As lessee

The Group leases certain of its production plants, warehouses and equipment under operating lease arrangements. Leases are negotiated for terms ranging from 1 to 5 years.

At the end of each of the Relevant Years, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Within one year	2,323	8,419	8,808
In the second to fifth years, inclusive	8,483	328	3,896
After five years	—	—	76
	10,806	8,747	12,780

35. COMMITMENTS

Group

In addition to the operating lease commitments detailed in note 34(b) above, the Group had the following capital commitments at the end of each of the Relevant Years:

	As at 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Contracted, but not provided for:			
Property, plant and equipment	101,610	103,167	109,650
Prepaid land lease payments	13,100	9,303	—
	114,710	112,470	109,650

The Company had no capital commitments at 31 December 2009.

36. RELATED PARTY BALANCES AND TRANSACTIONS

During the Relevant Years, the Group's management is of the view that the following companies are related companies of the Group, which had transactions with the Group:

Name of the company	Relationship
EI TI HK	Under the common control of Mr. Wong
Liansu International	Under the common control of Mr. Wong
Star Excel	Under the common control of Mr. Wong
Top Jump Holdings Limited	Under the common control of Mr. Wong
Liansu Electric	Under the common control of Mr. Wong
Guangdong Liansu Profiles Co., Ltd. (廣東聯塑型材有限公司)	Under the common control of Mr. Wong
Jiangmen Liansu Soft Hoses Co., Ltd. (江門市聯塑軟管有限公司, now known as Jiangmen Liansu Facilities Co., Ltd. (江門市聯塑市政設施有限公司))	Under the common control of Mr. Wong
Liansu Machinery [(1)]	Under the common control of Mr. Wong
Guangdong Liansu Valves Co., Ltd. (廣東聯塑閥門有限公司) [(2)]	Under the common control of Mr. Wong
Yingxin Real Estate [(3)(8)]	Under the common control of Mr. Wong prior to 4 December 2009
Guizhou Ruihua Plastics Co., Ltd. (貴州瑞華塑膠有限公司)	Under the common control of Mr. Wong
Yan Sing Fu Sing	Under the common control of Mr. Wong
Foshan Shunde Liansu Industrial Co., Ltd. (佛山市順德區聯塑實業有限公司)	Under the common control of Mr. Wong
Yunan County Liansu Machinery Co., Ltd. (郁南縣聯塑機器有限公司)	Under the common control of Mr. Wong
Foshan Shunde Yingxin Property Management Co., Ltd.[(8)] (佛山市順德區盈信物業管理有限公司)	Under the common control of Mr. Wong prior to 4 December 2009
Foshan Somso Wine Co., Ltd. [(9)] (佛山市西堡紅酒有限公司)	Under the significant influence of directors
Guangdong Liansu Fire Fighting & Valve & Plumbing Accessories Co., Ltd. (廣東聯塑消防閥門水暖器材有限公司)	Under the common control of Mr. Wong
Miquan Liansu Plastic Pipe Co., Ltd. (米泉市聯塑管道有限公司) [(4)]	Under the significant influence of a director
Shanghai Liansu Trading Co., Ltd. (上海聯塑貿易有限公司) [(5)]	Under the significant influence of a director
Guizhou Zunyi[(6)]	Jointly-controlled entity of the Group
Guangzhou Yuegao Patent Trademark Agency Co., Ltd.[(7)] (廣州粵高專利商標代理有限公司)	Under the control of a director
Guangdong Yuegao Trademark Agency Co., Ltd.[(7)] (廣東粵高商標代理有限公司)	Under the control of a director

Notes:

(1) This company became a related company of the Group after it was disposed of by the Group on 26 December 2008 (note 30(a)(ii)).

(2) This company was formerly known as Yunan Liansu Machinery. It became a related company of the Group after it was disposed of by the Group on 17 June 2008 (note 30(a)(iii)).

(3) This company became a related company of the Group after it was disposed of by the Group on 8 September 2008 (note 30(a)(i)).

(4) Mr. Kong Zhaocong had a 40% equity interest in this company which was disposed of by Mr. Kong Zhaocong in August 2009.

(5) Mr. Zuo Manlun had a 40% equity interest in this company.

(6) This company, a then 60%-owned jointly-controlled entity of the Group, was considered as a related party to the Group prior to its disposal on 12 April 2008 (note 17).

(7) Mr. Lin Dewei had a 51% equity interest in each of these two companies.

(8) These companies were disposed of by Mr. Wong on 4 December 2009.

(9) Mr. Wong and Mr. Zuo Manlun had 35% and 25% equity interests, respectively, in this company before 31 August 2009. On 31 August 2009, Mr. Wong transferred his 35% equity interest to Mr. Zuo Manlun and an independent third party.

In addition to the balances and transactions disclosed elsewhere in this report, the Group had the following material balances and transactions with related parties during the Relevant Years:

(a) Amounts due from related companies

Group

	As at 31 December		
	2007	**2008**	**2009**
	RMB'000	**RMB'000**	**RMB'000**
Trade receivables from related companies:			
— Guangdong Liansu Profiles Co., Ltd.	—	1,720	—
— Shanghai Liansu Trading Co., Ltd.	—	552	—
— Miquan Liansu Plastic Pipe Co., Ltd.	—	3,962	—
	—	6,234	—
Other receivables from related companies:			
— Guangdong Liansu Profiles Co., Ltd.	180	900	720
— Liansu Electric	3,869	165	—
— Star Excel	—	9,005	—
— Miquan Liansu Plastic Pipe Co., Ltd.	3,450	—	—
— Foshan Shunde Yingxin Property Management Co., Ltd.	4,085	—	—
	11,584	10,070	720
Other receivable from a jointly-controlled entity:			
— Guizhou Zunyi	6,000	—	—
	17,584	16,304	720

Trade receivables from the Group's related companies are unsecured, non-interest bearing and repayable on similar credit terms to those offered to the customers of the Group. The Group's non-trade receivables from related companies are unsecured, non-interest-bearing and have no fixed terms of repayment.

As at the date of this report, the Group's non-trade receivables from related companies had been fully settled.

(b) Amounts due to related companies

Group

	As at 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Trade payables to related companies:			
— Guangdong Liansu Profiles Co., Ltd.	—	916	—
Other payables to related companies:			
— Star Excel	9,504	8,951	—
— Foshan Shunde Liansu Industrial Co., Ltd.	6,000	—	—
— Foshan Somso Wine Co., Ltd.	1,535	—	—
— Guizhou Ruihua Plastics Co., Ltd.	3,650	2,078	—
— Liansu Electric	—	7,500	8,041
— Yingxin Real Estate	—	146,000	—
— Liansu Machinery	—	35,600	7,652
— Guangdong Liansu Valves Co., Ltd.	—	25,000	—
— Yunan County Liansu Machinery Co., Ltd.	13,709	—	—
	34,398	225,129	15,693
	34,398	226,045	15,693

Trade payables to the Group's related companies are non-interest-bearing. The Group's non-trade payables to related companies are unsecured, non-interest-bearing and have no fixed terms of repayment.

As at the date of this report, the Group's non-trade payables to related companies had been fully settled.

(c) Amounts due to directors

Group

	As at 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Mr. Wong	383,682	475,653	263,798
Mr. Zuo Manlun	46,120	17,119	—
	429,802	492,772	263,798

Company

	As at 31 December 2009
	RMB'000
Mr. Wong	263,798

The amounts due to directors are unsecured, non-interest-bearing and have no fixed terms of repayment. Out of the amount due to Mr. Wong as of 31 December 2009, an amount of HK$100,000,000 (approximately RMB88,000,000 equivalent) was repaid subsequent to the end of the reporting period and the remaining balance was capitalized. Please refer to note (a) of Section III for details.

(d) Related party transactions

		Year ended 31 December		
	Notes	2007	2008	2009
		RMB'000	RMB'000	RMB'000
Sales of goods to related companies:				
— Liansu Electric	(i)	—	18,312	177
— Guangdong Liansu Profiles Co., Ltd.	(i)	—	197	—
— Miquan Liansu Plastic Pipe Co., Ltd.	(i)	—	4,060	8,258
— Shanghai Liansu Trading Co., Ltd.	(i)	—	10,887	—
— Liansu Machinery	(i)	—	—	1,176
— Guangdong Liansu Valves Co., Ltd.	(i)	—	—	373
— Yingxin Real Estate	(i)	—	—	322
— Foshan Shunde Yingxin Property Management Co., Ltd.	(i)	—	—	466
— Guangdong Liansu Fire Fighting & Valve & Plumbing Accessories Co., Ltd.	(i)	—	—	562
		—	33,456	11,334

	Notes	Year ended 31 December 2007	2008	2009
		RMB'000	RMB'000	RMB'000
Sales of raw materials to related companies:				
— Liansu Electric	(ii)	—	8,749	403
— Liansu Machinery	(ii)	—	—	23,590
— Guangdong Liansu Profiles Co., Ltd.	(ii)	—	3,195	5,080
— Jiangmen Liansu Soft Hoses Co., Ltd.	(ii)	—	—	2,956
— Miquan Liansu Plastic Pipe Co., Ltd.	(ii)	—	2,558	1,299
		—	14,502	33,328
Sales of equipment to related companies:				
— Jiangmen Liansu Soft Hoses Co., Ltd.	(iii)	—	—	7,137
— Guangdong Liansu Profiles Co., Ltd.	(iii)	—	—	2,886
— Liansu Electric	(iii)	1,676	—	—
— Miquan Liansu Plastic Pipe Co., Ltd.	(iii)	—	1,398	—
		1,676	1,398	10,023
Provision of utilities to related companies:				
— Liansu Machinery*	(iv)	—	984	791
— Liansu Electric*	(iv)	—	1,858	1,676
— Guangdong Liansu Profiles Co., Ltd.	(iv)	—	396	1,846
— Jiangmen Liansu Soft Hoses Co., Ltd.	(iv)	—	—	293
		—	3,238	4,606
Rental income from related companies:				
— Guangdong Liansu Profiles Co., Ltd.	(v)	180	720	720
— Jiangmen Liansu Soft Hoses Co., Ltd.	(v)	—	79	275
— Liansu Machinery*	(v)	—	—	156
— Liansu Electric*	(v)	—	—	200
		180	799	1,351
Sales of buildings to a related company:				
— Guangdong Liansu Fire Fighting & Valve & Plumbing Accessories Co., Ltd.	(iii)	—	—	4,792
Purchases of materials from related companies:				
— Liansu Electric	(vi)	—	278	430
— Guangdong Liansu Profiles Co., Ltd.	(vi)	—	1,185	5,335
— Liansu Machinery	(vi)	—	—	1,956
— Jiangmen Liansu Soft Hoses Co., Ltd.	(vi)	—	—	4,175
— Guizhou Ruihua Plastics Co., Ltd.	(vi)	—	3,220	133
— Shanghai Liansu Trading Co., Ltd.	(vi)	—	2,384	—
— Miquan Liansu Plastic Pipe Co., Ltd.	(vi)	—	—	3,926
— Guangdong Liansu Valves Co., Ltd.	(vi)	—	—	669
— Guangdong Liansu Fire Fighting & Valve & Plumbing Accessories Co., Ltd.	(vi)	—	—	158
		—	7,067	16,782

	Notes	Year ended 31 December 2007	2008	2009
		RMB'000	RMB'000	RMB'000
Purchases of equipment from related companies:				
— Guangdong Liansu Valves Co., Ltd.	(vii)	—	33,209	74,331
— Liansu Machinery*	(vii)	—	2,495	49,162
— Jiangmen Liansu Soft Hoses Co., Ltd..	(vii)	—	—	6,947
— Yunan County Liansu Machinery Co., Ltd.	(vii)	5,766	—	—
— Guizhou Ruihua Plastics Co., Ltd.	(vii)	1,030	120	—
		6,796	35,824	130,440
Licensing trademarks to related companies				
— Liansu Electric*.......................................	(viii)	—	117	200
— Guangdong Liansu Profiles Co., Ltd.*	(viii)	—	8	50
— Liansu Machinery*	(viii)	—	—	100
— Guangdong Liansu Fire Fighting & Valve & Plumbing Accessories Co., Ltd.*	(viii)	—	—	40
— Guangdong Liansu Valves Co., Ltd.*	(viii)	—	—	60
		—	125	450
Licensing patents to a related company				
— Liansu Machinery*	(viii)	26	43	43
Agency services provided by related companies in relation to trademarks and patents				
— Guangzhou Yuegao Patent Trademark Agency Co., Ltd.*	(ix)	182	281	231
— Guangdong Yuegao Trademark Agency Co., Ltd.*	(ix)	201	171	194
		383	452	425
Use of properties owned by a director*............	(x)	—	—	—

Notes:

(i) The sales of goods to related companies were conducted in accordance with terms agreed between the Group and its related companies, determined with reference to similar transactions with third party customers.

(ii) Raw materials were sold to related companies at cost plus mark-up.

(iii) Equipment and buildings were sold to related companies based on mutually agreed terms.

(iv) Utilities were provided to related companies at cost.

(v) Rental income was based on mutually agreed terms.

(vi) Purchases of materials from related companies were made based on mutually agreed terms.

(vii) Purchases of equipment from related companies were made with reference to the prices and conditions offered by the related companies to its third party customers.

(viii) Licensing trademarks and patents to related companies was conducted based on mutually agreed terms.

(ix) Agency services were provided by related companies based on mutually agreed terms.

(x) The properties owned by a director, including office, cafeteria, workshops and warehouses, were used by the Group at nil consideration.

In addition to the transactions disclosed above, the Group acquired additional equity interests from and disposed of equity interests of certain subsidiaries to certain related parties during the years ended 31 December 2007 and 2008, respectively, details of which were set out in notes to the consolidated statements of changes in equity and note 30, respectively.

* *These related party transactions constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.*

(e) Guarantees provided by the related parties of the Group

The Group's related parties have provided corporate guarantees or personal guarantees, in connection with certain bank borrowings obtained by the Group, as follows:

(i) Personal guarantees provided by the Group's directors:

	As at 31 December	
	2007	2008
	RMB'000	RMB'000
Mr. Wong	175,000	221,500
Ms. Zuo Xiaoping	160,000	221,500
Mr. Zuo Manlun	—	42,500

(ii) A personal guarantee provided by a member of the Group's key management personnel:

	As at 31 December 2008
	RMB'000
Ms. Zuo Xiaoying	13,500

(iii) Corporate guarantees provided by the Group's related companies:

	As at 31 December 2008
	RMB'000
Yingxin Real Estate	69,250
Liansu Machinery	158,750

(f) Pledges over certain assets of the related parties of the Group

Group

Certain of the Group's bank loans are secured by assets of the Group's related parties. The carrying amounts of these bank loans as at the end of each of the Relevant Years are:

	As at 31 December		
	2007	**2008**	**2009**
	RMB'000	**RMB'000**	**RMB'000**
Secured by:			
Land and buildings jointly owned by Mr. Wong and Ms. Zuo Xiaoping	47,800	111,000	—
Time deposits of Mr. Wong	304,800	—	—
Investment properties of Yingxin Real Estate	—	179,000	—
Land use rights of Liansu Machinery	—	25,000	—
Time deposits of Top Jump Holdings Limited	—	—	440,250

Company

The Company's bank loan is secured by assets of a related party of the Company. The carrying amount of this bank loan as at 31 December 2009 is as follows.

	As at 31 December 2009
	RMB'000
Secured by:	
Time deposits of Top Jump Holdings Limited	440,250

The pledges over the time deposits of Top Jump Holdings Limited will be fully released prior to the listing of the Company's shares on the Stock Exchange.

(g) Compensation of key management personnel of the Group

In addition to the amounts paid to the Company's directors as disclosed in note 9(a), compensation of other key management personnel of the Group is set out as follows:

	Year ended 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Short-term employees benefits	1,076	1,174	1,469
Post-employment benefits	63	62	117
Total compensation paid to other key management personnel	1,139	1,236	1,586

37. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Years are as follows:

Group

Financial assets — loans and receivables

		As at 31 December		
	Notes	2007	2008	2009
		RMB'000	RMB'000	RMB'000
Trade and bills receivables	20	237,409	203,247	466,735
Other receivables	21	8,277	17,069	13,533
Amounts due from related companies	36(a)	17,584	16,304	720
Restricted cash	22	10,909	2,780	125,133
Cash and cash equivalents	22	186,637	135,947	361,767
		460,816	375,347	967,888

Financial liabilities at amortized cost

	Notes	As at 31 December 2007 RMB'000	2008 RMB'000	2009 RMB'000
Trade and bills payables	23	199,040	39,667	232,702
Financial liabilities included in other payables and accruals		232,408	118,043	246,585
Interest-bearing bank loans	25	598,600	468,700	1,309,677
Amounts due to directors	36(c)	429,802	492,772	263,798
Amounts due to related companies	36(b)	34,398	226,045	15,693
		1,494,248	1,345,227	2,068,455

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank loans, amounts due to directors and related companies and cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and other receivables and trade and other payables, which arise directly from its operations.

The carrying amounts of the Group's financial instruments approximated to their fair values as at the end of each of the Relevant Years. Fair value estimates are made at a specific point in time and are based on relevant market information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgement, and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. As the Group's exposure to these risks is kept to a minimum, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The board of the directors of the Company reviews and agrees policies for managing each of these risks and they are summarized below.

Interest rate risk

Interest rate risk means the risk on the fluctuation of fair value on future cash flows of financial instruments which arise from changes in interest rates. Floating interest rate instruments will result in the Group facing the risk of changes in market interest rate, and fixed interest rate instruments will result in the Group facing fair value interest rate risk.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's annual profit before tax (through the impact on floating rate borrowings) and the Group's equity.

	Increase/ decrease in basis points	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity*
		RMB'000	RMB'000
Year ended 31 December 2009	50	3,306	—
Year ended 31 December 2009	-50	(3,306)	—
Year ended 31 December 2008	50	2,411	—
Year ended 31 December 2008	-50	(2,411)	—
Year ended 31 December 2007	50	2,993	—
Year ended 31 December 2007	-50	(2,993)	—

* *Excluding retained profits*

Foreign currency risk

The Group's businesses are located in Mainland China and most of the transactions are conducted in RMB. Most of the Group's assets and liabilities are denominated in RMB. Accordingly, fluctuations of the exchange rates of RMB against foreign currencies do not have significant effects on the Group's results. The Group has not hedged its foreign exchange rate risk.

A reasonably possible change of 5% in the exchange rate between the Hong Kong dollar and RMB would have no material impact on the Group's profit during the Relevant Years and there would be no impact on the Group's equity.

Credit risk

The Group trades only with recognized and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, prepayments, deposits and other receivables arises from potential default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognized and creditworthy third parties, there is no requirement for collateral.

Liquidity risk

Management of the Group aims to maintain sufficient cash and cash equivalents and have available funding through an adequate amount of committed credit facilities to meet its commitments.

The maturity profile of the Group's financial liabilities as at the end of each of the Relevant Years, based on the contractual undiscounted payments, is as follows:

Group

	As at 31 December 2007		
	Within 1 year	1 to 2 years	Total
	RMB'000	RMB'000	RMB'000
Interest-bearing bank loans	527,733	96,566	624,299
Trade and bills payables	199,040	—	199,040
Financial liabilities included in other payables and accruals	232,408	—	232,408
Amounts due to directors	429,802	—	429,802
Amounts due to related companies	34,398	—	34,398
	1,423,381	96,566	1,519,947

Group

	As at 31 December 2008		
	Within 1 year	1 to 2 years	Total
	RMB'000	RMB'000	RMB'000
Interest-bearing bank loans	431,525	56,823	488,348
Trade and bills payables	39,667	—	39,667
Financial liabilities included in other payables and accruals	118,043	—	118,043
Amounts due to directors	492,772	—	492,772
Amounts due to related companies	226,045	—	226,045
	1,308,052	56,823	1,364,875

Group

	As at 31 December 2009			
	Within 1 year	1 to 2 years	More than 2 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank loans	476,766	894,547	14,034	1,385,347
Trade and bills payables	232,702	—	—	232,702
Financial liabilities included in other payables and accruals	246,585	—	—	246,585
Amounts due to directors	263,798	—	—	263,798
Amounts due to related companies	15,693	—	—	15,693
	1,235,544	894,547	14,034	2,144,125

The maturity profile of the Company's financial liabilities as at 31 December 2009, based on the contractual undiscounted payments, is as follows:

Company

	As at 31 December 2009		
	Within 1 year	1 to 2 years	Total
	RMB'000	RMB'000	RMB'000
Interest-bearing bank loans	181,981	266,270	448,251
Other payables	7,298	—	7,298
Amount due to a director	263,798	—	263,798
	453,077	266,270	719,347

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as going concern and to maintain reasonable capital ratios in order to support its business and maximize shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the Relevant Years.

The Group monitors capital using a net borrowing to equity ratio, which is net borrowings divided by total capital. Net borrowings include interest-bearing bank loans, amounts due to directors and related companies less cash and cash equivalents and restricted cash. Capital represents the total equity.

At the end of each of the Relevant Years, the Group's strategy was to maintain the net borrowings to equity ratio at a healthy capital level in order to support its businesses. The principal strategies adopted by the Group include, without limitation, reviewing future cash flow requirements and the ability to meet debt repayment schedules when they fall due, maintaining a reasonable level of available banking facilities and adjusting investment plans and financing plans, if necessary, to ensure that the Group has a reasonable level of capital to support its business. The net borrowings to equity ratios at the end of each of the Relevant Years were as follows:

	As at 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Interest-bearing bank loans	598,600	468,700	1,309,677
Amounts due to directors	429,802	492,772	263,798
Amounts due to related companies	34,398	226,045	15,693
Less: Cash and cash equivalents	(186,637)	(135,947)	(361,767)
Restricted cash	(10,909)	(2,780)	(125,133)
Net borrowings	865,254	1,048,790	1,102,268
Total equity	249,278	424,114	1,041,988
Net borrowings to equity ratio	347%	247%	106%

III. SUBSEQUENT EVENTS

The following events occurred subsequent to 31 December 2009 and up to the date of this accountants' report:

(a) Pursuant to the written resolution of the shareholder of the Company dated 14 May 2010, the Company capitalized an amount of HK$199,600,000 (approximately RMB175,798,000 equivalent) due to Mr. Wong (notes 28 and 36(c) of Section II).

(b) Pursuant to the written resolution of the shareholder of the Company dated 14 May 2010, the Company adopted a Pre-IPO Share Option Scheme.

(c) On 23 April 2010, the Group participated in the auction for the assets of Henan Hualin Group Industry Co., Ltd. (河南省華林集團工業有限公司) ("Henan Hualin") and was successful in its bid for Henan Hualin's land and the buildings and production lines thereon in Henan (being the property leased by the Group) for a price of RMB119,000,000. On 17 May 2010, the Group entered into an agreement with Hualin Group Bankruptcy Trustee (河南省華林集團工業有限公司破產管理人) under which it was agreed that RMB40,000,000 of the auction price would be paid before 31 May 2010 (already paid on 27 May 2010), with the remaining balance to be paid before 30 June 2010.

IV. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or its subsidiaries in respect of any period subsequent to 31 December 2009.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

For illustrative purpose only, the unaudited pro forma financial information prepared in accordance with Rule 4.29 of the Listing Rules is set out herein to provide prospective investors with further financial information about (i) how the proposed listing might have affected the consolidated net tangible assets of the Group after the completion of the Global Offering; and (ii) how the proposed listing might have affected the unaudited pro forma forecast earnings per share for the six months ending 30 June 2010 as if the Global Offering had taken place on 1 January 2010.

The accompanying unaudited pro forma financial information of the Group is based on currently available information along with a number of assumptions, estimates and uncertainties. As a result of these assumptions, estimates and uncertainties, the accompanying unaudited pro forma financial information of the Group does not purport to predict the Group's future financial position or results of operations.

Although reasonable care has been exercised in preparing the said information, prospective investors should bear in mind that these figures are inherently subject to adjustments and may not give a true picture of the Group's financial results and position of the financial periods concerned.

A. UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is an illustrative statement of unaudited pro forma adjusted consolidated net tangible assets of the Group, which has been prepared for the purpose of illustrating the effect of the Global Offering as if it had taken place on 31 December 2009. It is based on the audited consolidated net tangible assets attributable to owners of the Company as at 31 December 2009 as shown in the accountants' report of the Group, the text of which is set out in Appendix I to this Prospectus, and is adjusted as follows:

	Audited consolidated net tangible assets attributable to owners of the Company as at 31 December 2009	Estimated net proceeds receivable by the Company from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets	Unaudited pro forma adjusted consolidated net tangible assets per Share	
	RMB'000	**RMB'000**	**RMB'000**	**RMB**	**HK$**
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*
Based on an Offer Price of HK$2.6 per Share	1,040,850	1,613,867	2,654,717	0.88	1.00
Based on an Offer Price of HK$3.5 per Share	1,040,850	2,188,226	3,229,076	1.08	1.23

Notes:

1. The consolidated net tangible assets attributable to owners of the Company as at 31 December 2009 is extracted from the accountants' report set out in Appendix I to this prospectus and set forth below:

	RMB'000
Consolidated net assets attributable to owners of the Company	1,041,988
Less: Other intangible assets	(1,138)
Consolidated net tangible assets attributable to owners of the Company	1,040,850

2. The estimated net proceeds from the Global Offering is based on the Offer Shares and the Offer Price of HK$2.60 or HK$3.50 per Share, being the low or high end of the stated offer price range, after deduction of the underwriting fees (which does not include the incentive fee of up to 1% of the Offer Price multiplied by the total number of Offer Shares that we may, at our sole discretion, choose to pay to either or both of the Joint Global Coordinators) and related expenses payable by the Company and takes no account of any Shares which may be issued upon exercise of the Over-allotment Option, any options granted under the Pre-IPO Share Option Scheme or any options that may be granted under the Share Option Scheme.

3. No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2009, including the capitalization of the amount due to a director of RMB175,798,000. See note 36(c) to section II of the accountants' report set out in Appendix I to this prospectus for details.

4. The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated based on 3,000,000,000 Shares in issue immediately following the completion of the Global Offering without taking into account any Shares which may be issued upon exercise of the Over-allotment Option, any options granted under the Pre-IPO Share Option Scheme or any options that may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandates given to our Directors to allot and issue or repurchase Shares.

5. The unaudited pro forma adjusted consolidated net tangible assets per Share is converted into Hong Kong dollars at an exchange rate of HK$1.00 : RMB0.8773.

6. The Group's property interests as at 31 March 2010 have been valued by CB Richards Ellis, an independent property valuer, and the relevant property valuation report is set out in Appendix IV "Property Valuation". The above unaudited pro forma adjusted consolidated net tangible assets do not take into account the surplus attributable to the Group arising from the revaluation of the Group's property interests amounting to RMB264.9 million. The revaluation surplus will not be incorporated in the Group's financial statements for the year ending 31 December 2010 because it is the Group's accounting policy to state the property interests, classified under the captions "Property, plant and equipment" and "Prepaid land lease payments" in the accountants' report set out in Appendix I to this prospectus, at cost less accumulated depreciation/amortization and impairment rather than at revalued amounts. If the valuation surplus was recorded in the Group's financial statements for the year ending 31 December 2010, an additional depreciation/amortization of approximately RMB12.2 million (equivalent to HK$13.9 million based on an exchange rate of HK$1.00 : RMB0.8773) per annum would have been incurred.

B. UNAUDITED PRO FORMA FORECAST EARNINGS PER SHARE

The following unaudited pro forma forecast earnings per Share of the Group for the six months ending 30 June 2010 has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Global Offering as if it had taken place on 1 January 2010. It has been prepared for illustrative purpose only and, because of its hypothetical nature, it may not give a true and fair picture of the financial results of the Group following the Global Offering.

Forecast consolidated profit attributable to owners of the Company for the six months ending 30 June 2010 *(Notes 1 and 3)*	not less than RMB435 million (approximately HK$496 million equivalent)
Unaudited pro forma forecast earnings per Share *(Notes 2 and 3)*	not less than RMB14.5 cents (approximately HK16.5 cents equivalent)

Notes:

1. The forecast consolidated profit attributable to owners of the Company for the six months ending 30 June 2010 is extracted from the profit forecast as set out in the subsection headed "Profit Forecast For the Six Months Ending 30 June 2010" under the section headed "Financial Information" in this prospectus. The bases on which the above profit forecast for the six months ending 30 June 2010 has been prepared are summarized in Appendix III to the Prospectus.

2. The calculation of the unaudited pro forma forecast earnings per Share is based on the forecast consolidated profit attributable to owners of the Company for the six months ending 30 June 2010 and a total of 3,000,000,000 Shares were issued and outstanding during the entire year, adjusted, as if the Global Offering had occurred on 1 January 2010. This calculation assumes that the Over-allotment Option, any options granted under the Pre-IPO Share Option Scheme or any options that may be granted under the Share Option Scheme would not be exercised or any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandates given to our Directors to allot and issue or repurchase Shares.

3. The forecast consolidated profit attributable to owners of the Company and the unaudited pro forma forecast earnings per Share are converted into Hong Kong dollars at an exchange rate of HK$1.00 : RMB0.8773.

C. REPORT FROM THE REPORTING ACCOUNTANTS

The following is the text of a report received from the reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, in connection with the unaudited pro forma financial information and for the purpose of incorporation in this prospectus.

ERNST & YOUNG
安 永

18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong

9 June 2010

The Directors
China Liansu Group Holdings Limited

J.P. Morgan Securities (Asia Pacific) Limited
UBS AG, Hong Kong Branch

Dear Sirs,

We report on the unaudited pro forma adjusted consolidated net tangible assets and unaudited pro forma forecast earnings per share (the "Unaudited Pro Forma Financial Information") of China Liansu Group Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which have been prepared by the directors of the Company (the "Directors") for illustrative purposes only, to provide information about how the global offering of 750,000,000 shares of HK$0.05 each in the capital of the Company might have affected the financial information presented, for inclusion in Appendix II to the prospectus of the Company dated 9 June 2010 (the "Prospectus"). The basis of preparation of the Unaudited Pro Forma Financial Information is set out in sections A and B of Appendix II to the Prospectus, respectively.

Respective Responsibilities of the Directors and Reporting Accountants

It is the responsibility solely of the Directors to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments, and discussing the Unaudited Pro Forma Financial Information with the Directors. This engagement did not involve independent examination of any of the underlying financial information.

Our work did not constitute an audit or a review made in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA, and accordingly, we do not express any such audit or review assurance on the Unaudited Pro Forma Financial Information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the bases stated, that such bases are consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Our work has not been carried out in accordance with the auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) and accordingly should not be relied upon as if it had been carried out in accordance with those standards.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the Directors, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the financial position of the Group as at 31 December 2009 or any future dates; or
- the forecast earnings per share of the Group for the six months ending 30 June 2010 or any future periods.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the bases stated;

(b) such bases are consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

The forecast of the consolidated profit attributable to owners of our Company for the six months ending 30 June 2010 is set out in the section headed "Financial Information — Profit Forecast for the Six Months ending 30 June 2010".

A. BASES

The Directors have prepared the forecast of consolidated profit attributable to owners of our Company for the six months ending 30 June 2010 on the basis of the unaudited consolidated results of us for the three months ended 31 March 2010 and a forecast of the consolidated results of us for the remaining three months ending 30 June 2010. The forecast has been prepared on a basis consistent in all material respects with the accounting policies currently adopted by us as summarized in Appendix I to the prospectus.

B. ASSUMPTIONS

The forecast has been prepared based on the following principal assumptions:

- there will be no material change in existing political, legal, fiscal, market or economic conditions in China, Hong Kong, or any other country or territory in which we currently operate or which are otherwise material to our business;

- there will be no changes in legislation, regulations or rules in China, Hong Kong or any other country or territory in which we operate or with which we have arrangements or agreements, which materially and adversely affect our business;

- there will be no material change in the bases or rates of taxation in China or any other country or territory in which we operate, except as otherwise disclosed in this prospectus;

- there will be no material changes in inflation rates, interest rates or foreign currency exchange rates from those currently prevailing;

- our operations will not be materially affected or interrupted by any force majeure events or unforeseeable factors or any unforeseeable reasons that are beyond the control of the Directors, including but not limited to the occurrence of natural disasters, epidemics or serious accidents; and

- there will be no material fluctuations to raw material prices, including prices of PVC, PE and PP-R.

C. LETTERS

The following are texts of letters received from the reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, and the Joint Sponsors in connection with the profit forecast and for the purpose of incorporation in this prospectus.

(i) Letter from reporting accountants

ERNST & YOUNG
安 永

18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong

9 June 2010

The Directors
China Liansu Group Holdings Limited

J.P. Morgan Securities (Asia Pacific) Limited
UBS AG, Hong Kong Branch

Dear Sirs,

We have reviewed the calculations of and the accounting policies adopted in arriving at the forecast of the consolidated profit attributable to owners of China Liansu Group Holdings Limited (the "Company", together with its subsidiaries, hereinafter collectively referred to as the "Group") for the six months ending 30 June 2010 (the "Profit Forecast") as set out in the paragraph headed "Profit Forecast for the Six Months ending 30 June 2010" under the section headed "Financial Information" in the prospectus of the Company dated 9 June 2010 (the "Prospectus") for which the directors of the Company (the "Directors") are solely responsible.

We conducted our work with reference to Auditing Guideline 3.341 "Accountants' Report on Profit Forecasts" issued by the Hong Kong Institute of Certified Public Accountants.

The Profit Forecast has been prepared by the Directors based on the unaudited consolidated results of the Group for the three months ended 31 March 2010 and a forecast of the consolidated results of the Group for the remaining three months ending 30 June 2010.

In our opinion, so far as the accounting policies and calculations are concerned, the Profit Forecast has been properly compiled in accordance with the bases and assumptions made by the Directors as set out in Appendix III to the Prospectus, and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in our accountants' report dated 9 June 2010, the text of which is set out in Appendix I to the Prospectus.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

(ii) Letter from the Joint Sponsors

J.P.Morgan

28th Floor, Chater House
8 Connaught Road Central
Central, Hong Kong

UBS Investment Bank

52/F, Two International Finance Centre
8 Finance Street
Central
Hong Kong

9 June 2010

The Directors
China Liansu Group Holdings Limited

Dear Sirs,

We refer to the consolidated profit forecast of China Liansu Group Holdings Limited (the "Company") and its subsidiaries (together the "Group") for the six months ending 30 June 2010 (the "Profit Forecast") as set out in the paragraph headed "Profit Forecast for the Six Months ending 30 June 2010" under the section headed "Financial Information" in the prospectus issued by the Company dated 9 June 2010.

The Profit Forecast, for which the directors of the Company (the "Directors") are solely responsible, has been prepared by them based on the unaudited consolidated results of the Group for the three months ended 31 March 2010 and a forecast of the consolidated results of the Group for the remaining three months ending 30 June 2010.

We have discussed with you the bases and assumptions upon which the Profit Forecast has been made. We have also considered the letter dated 9 June 2010 addressed to you and us from Ernst & Young, Certified Public Accountants, Hong Kong, regarding the accounting policies and calculations upon which the Profit Forecast has been made.

On the basis of the information comprising the Profit Forecast and on the basis of the accounting policies and calculations adopted by you and reviewed by Ernst & Young, Certified Public Accountants, Hong Kong, we are of the opinion that the Profit Forecast, for which you as the Directors are solely responsible, has been made after due and careful enquiry.

Yours faithfully,
For and on behalf of
J.P. Morgan Securities (Asia Pacific) Limited
David PW Lau
Executive Director

Yours faithfully,
For and on behalf of
UBS AG, Hong Kong Branch
Henry Cai
Managing Director

Michael Cheung
Director

The following is the text of a letter with the summary of values and valuation certificates received from CB Richard Ellis Limited, prepared for the purpose of incorporation in the prospectus, in connection with their valuation as at 31 March 2010 of all the property interests of the Group.

CBRE
CB RICHARD ELLIS
世邦魏理仕

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香港灣仔港灣道十八號中環廣場三十四樓
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9 June 2010

The Board of Directors
China Liansu Group Holdings Limited
Unit 3,12/F,
Tower 2,
South Seas Centre,
No.75 Mody Road,
Tsim Sha Tsui East,
Kowloon,
Hong Kong

Dear Sirs,

In accordance with your instructions for us to value the property interests held by China Liansu Group Holdings Limited (the "Company") and its subsidiaries (hereinafter together know as the "Group") in the People's Republic of China (the "PRC"). We confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital values of such property interests as at 31 March 2010 (the "date of valuation").

Our valuation is our opinion of Market Value which is defined to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

Unless otherwise stated, our valuation is prepared in accordance with the "First Edition of The HKIS Valuation Standards on Properties" published by The Hong Kong Institute of Surveyors ("HKIS"). We have also complied with all the requirements contained in Paragraph 46 of Schedule 3 of the Companies Ordinance (Cap. 32), Chapter 5, Practice Note 12 and Practice Note 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Our valuation has been made on the assumption that the owner sells the properties on the open market without the benefit or the burden of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which would serve to affect the values of the property interests.

Under otherwise stated, all the property interests are valued by the comparison method on the assumption that each property can be sold with the benefit of vacant possession. Comparison is based on prices realized on actual transactions or asking price of comparable properties. Comparable properties with similar sizes, character and locations are analyzed, and carefully weighted against all respective advantages and disadvantages of each property in order to arrive at a fair comparison of value.

In valuing the property interests in Group I, which are held by the Group for occupation in the PRC, we have valued each of these property interests by the direct comparison approach assuming sale of each of these property interests in its existing state with the benefit of vacant possession and by making reference to comparable sales transactions as available in the relevant market.

For the property interests in Group II, which are held by the Group for development in the PRC, we have valued the property interests on the basis that the property will be developed and completed in accordance with the Group's latest development schemes provided to us. We have assumed that approvals for the proposals have been obtained. In arriving at our opinion of value, we have adopted the direct comparison approach by making reference to comparable sales evidence as available in the relevant market and have also taken into consideration the development costs already spent and to be spent which are provided by the Group, to reflect the quality of the completed development. The "Capital value of the property as if the property is completed at the date of valuation" represents our opinion of the aggregate selling prices of the development assuming that it would have completed at the date of valuation.

For the purpose of our valuation, the properties for development are those in which the Construction Works Completion Certified Report(s) has (have) not been issued while the State-owned Land Use Rights Certificate(s) has (have) been obtained.

For the property interests in Group III which are rented by the Group in the PRC and Hong Kong, are considered to have no commercial value due mainly to the prohibition against assignment or sub-letting or otherwise due to the lack of substantial profit rent.

In the course of our valuation for the property interests in the PRC, we have relied on the legal opinion provided by the Group's PRC legal advisor, Jun He Law Offices (the "PRC Legal Opinion"). We have been provided with extracts from title documents relating to such property interests. We have not, however, searched the original documents to verify ownership or existence of any amendment which does not appear on the copies handed to us. All documents have been used for reference only.

We have relied to a considerable extent on information given by the Group, in particular, but not limited to, the sales records, planning approvals, statutory notices, easements, tenancies and floor areas (including Gross Floor Areas, Saleable Gross Floor Areas and Non-saleable Gross Floor Areas). No on-site measurement has been taken. Dimensions, measurements and areas included in the valuation certificates are only approximations. We have taken every reasonable care both during inspecting the information provided to us and in making relevant enquiries. We have no reason to doubt the truth and accuracy of the information provided to us by the Company, which is material to the valuation. We were also advised by the Group that no material facts have been omitted from the information provided to us.

We have inspected the properties to such extent as for the purpose of this valuation. In the course of our inspection, we did not notice any serious defects. However, we have not carried out any structural survey nor any tests were made on the building services. Therefore, we are not able to report whether the properties are free of rot, infestation or any other structural defects. We have not carried out investigations on the site to determine the suitability of the ground conditions and the services etc. for any future development.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property interests nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoing of an onerous nature which could affect their values.

Unless otherwise stated, all monetary amounts are stated in Renminbi ("RMB").

We enclose herewith a summary of values and our valuation certificates.

Yours faithfully,
For and on behalf of
CB Richard Ellis Limited

Leo MY Lo
MHKIS MRICS
Director
Valuation & Advisory Services

Note: Mr. Lo is a member of Royal Institution of Chartered Surveyors and a member of the Hong Kong Institute of Surveyors. He has over 6 years' valuation experience in the PRC and Hong Kong.

SUMMARY OF VALUES

No.	Property Interests	Capital Value in existing state as at 31 March 2010	Interests attributable to the Group	Capital Value attributable to the Group as at 31 March 2010
		(RMB)		(RMB)
Group I — Property interests held by the Group for occupation in the PRC				
1.	An industrial complex located in the east of Dengdong Road, Resident Management Office, Longjiang Town, Shunde District, Foshan City, Guangdong Province, the PRC	334,000,000	100%	334,000,000
2.	An industrial complex located in No.38-1, Jianshe Road West, Taoyuan Town, Heshan, Jiangmen City, Guangdong, the PRC	95,000,000	100%	95,000,000
3.	An industrial complex located in No.1-3, Xinfeng Road South, Huangpu Town, Zhongshan City, Guangdong Province, the PRC	35,000,000	100%	35,000,000
4.	An industrial complex located in No.1 Xincheng No.11 Road, Wujiashan Taiwanese Investment Park, Dongxi Lake District, Wuhan City, Hubei Province, the PRC	72,000,000	100%	72,000,000
5.	An industrial complex located in Xinan Street, Taikang Town, Duerbote Mongolian Autonomous County, Daqing City, Heilongjiang Province, the PRC	13,000,000	100%	13,000,000

No.	Property Interests	Capital Value in existing state as at 31 March 2010	Interests attributable to the Group	Capital Value attributable to the Group as at 31 March 2010
		(RMB)		(RMB)
6.	An industrial complex located in Liangjiazhai Village, Hongfenghu Town, Qingzhen City, Guizhou Province, the PRC	64,000,000	100%	64,000,000
7.	12 Residential units, No.1 Unit Yishengxuan, Hongshudongfang Project, East Yunling Road, Qinglong Subdistrict, Qingzhen City, Guizhou Province, the PRC	3,100,000	100%	3,100,000
8.	An industrial complex located in Dongdaihe East, Changqi Road North, Beixingzhuangxiang, Renqiu City, Hebei Province, the PRC	125,000,000	100%	125,000,000
9.	Unit 8A, No.189 Tiyu Road West, Tianhe District, Guangzhou City, Guangdong Province, the PRC	3,200,000	100%	3,200,000
10.	Units 1609 and 1610, Level 16, Block A, Xinxing Building, No.93, Minzu Avenue, Nanning City, Guangxi Province, the PRC	1,200,000	100%	1,200,000

No.	Property Interests	Capital Value in existing state as at 31 March 2010	Interests attributable to the Group	Capital Value attributable to the Group as at 31 March 2010
		(RMB)		(RMB)
11.	Room 501, Unit 3, Block 21, Shan Shui Xing Chen, North of Dongwu Avenue, Dongxi Lake District, Wuhan City, Hubei Province, the PRC	550,000	100%	550,000
12.	An industrial complex located in No. 1, Xiushan Road East, Lishui Economic Development Zone, Lishui County, Nanjing City, Jiangsu Province, the PRC	108,000,000	100%	108,000,000
			Group I Sub-total:	854,050,000

Group II — Property interests held by the Group for development in the PRC

No.	Property Interests	Capital Value in existing state as at 31 March 2010	Interests attributable to the Group	Capital Value attributable to the Group as at 31 March 2010
13.	A constructing development located in Plot G03-2-2, Daba Industrial Park, Longjiang Town, Shunde District, Foshan City, Guangdong Province, the PRC	121,000,000	100%	121,000,000
14.	A constructing development located in West of Zhongshan Street, North of Xingbing Er Road, Changchun Economic Technological Development Zone, Changchun City, Jilin Province, the PRC	72,000,000	100%	72,000,000

No.	Property Interests	Capital Value in existing state as at 31 March 2010	Interests attributable to the Group	Capital Value attributable to the Group as at 31 March 2010
		(RMB)		(RMB)
15.	A constructing development located in South of Dongwu Avenue and East of the 15th Ditch, Dongxi Lake District, Wuhan City, Hubei Province, the PRC	39,000,000	100%	39,000,000
16.	A constructing development located in South of Weiwu Road, Chemical Industrial Park, Miquan District, Urumqi, Xijiang Province, the PRC	67,000,000	100%	67,000,000
17.	A constructing development located in De Li Ge Er Industrial Park, Taikang Town, Duerbote Mongolian Autonomous County, Daqing City, Heilongjiang Province, the PRC	27,900,000	100%	27,900,000
			Group II Sub-total:	326,900,000

Group III — Property interests rented by the Group in the PRC and Hong Kong

No.	Property Interests			
18.	An industrial complex located in No.77, Xixi sect, Longzhou Road, Xixi Resident Committee, Longjiang town, Shunde District, Foshan City, Guangdong Province, the PRC			No commercial value
19.	A building located in Xixi Industrial Park, Longjiang Town, Shunde District, Foshan City, Guangzhou Province, the PRC			No commercial value

No.	Property Interests	Capital Value in existing state as at 31 March 2010	Interests attributable to the Group	Capital Value attributable to the Group as at 31 March 2010
		(RMB)		(RMB)
20.	A unit located in Level 3, Zone A, Yingxin City Plaza, No.11, Wenhua Road, Xixi Resident management office, Longjiang Town, Shuide District, Foshan City, Guangdong Province, the PRC			No commercial value
21.	An industrial complex located in Bajiao Industrial park, Deyang City, Sichuan Province, the PRC			No commercial value
22.	An industrial complex located in Hualin Industrial Zone, Huaizhou Road South, Xicheng District, Huaiyang County, Henan Province, the PRC			No commercial value
23	Unit 3, 12/F, Tower 2, South Seas Centre, 75 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong			No commercial value
			Group III Sub-total:	No commercial value
			Grand total:	1,180,950,000

VALUATION CERTIFICATE

Group I — Property interests held by the Group for occupation in the PRC

No.	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 31 March 2010 (RMB)
1.	An industrial complex located in the east of Dengdong Road, Resident Management Office, Longjiang Town, Shunde District, Foshan City, Guangdong Province, the PRC	As advised by the Group, the property comprises various 1-5 storey workshops and warehouses with a total gross floor area of approximately 203,981.89 sq.m. erected on a site with an area of approximately 247,291.95 sq.m. (the "Site"), where a part of buildings and structures with a total gross floor area of 36,915.35 sq.m. is currently under construction and is expected to be completed in 2010. The completed part of buildings and the structures were completed in between 2007 and 2008. The development cost occurred for the under construction part as at the valuation date is approximately RMB16,037,960.96. The property is held under three Real Estate Title Rights Certificates with a land use term expiring on 9 December 2055 for industrial use.	The property with a total gross floor area of approximately 12,504.66 sq.m. are leased at a total yearly rent of RMB900,336, the latest expiry date of the lease is 31 December 2010, the remaining part of the property is currently occupied by the Group as workshop, warehouse and staff quarters.	334,000,000 (100% interests attributable to the Group: RMB334,000,000)

Notes:

a) Pursuant to the State-owned Land Use Rights Grant Contract (2005) 0902 dated 7 December 2005 entered into between Foshan Land and Resources Bureau and the Group, the land use rights of the Site with a total land area of 247,291.95 sq.m. has been contracted to be granted to the Group at a consideration of RMB61,822,987.50.

b) Pursuant to the following Real Estate Title Certificates issued by People's Government of Foshan Municipal, the building ownership of the property with a total gross floor area of approximately 167,066.54 sq.m. and the land use rights of the site with an area of approximately 247,291.95 sq.m. has been granted to the Group.

Real Estate Title Certificate Number	Date of Issuance	Site Area	Gross Floor Area	Use/Date of Expiry
		(sq.m.)	(sq.m.)	
Yue Fang Di Zheng Zi No. C6040790	25 July 2008	127,794.13	99,049.09	Industrial: 9 December 2055
Yue Fang Di Quan Zheng Fo Zi No.0300042565	11 August 2009	50,845.98	19,999.92	Industrial: 9 December 2055
Yue Fang Di Quan Zheng Fo Zi No. 0300066949	5 November 2009	68,651.84	48,017.53	Industrial: 9 December 2055
	Total:	247,291.95	167,066.54	

c) We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisor, which contains, inter alia, the following information:

i) The Group has obtained the State-owned Land Use Rights Certificate of the property, the Group is entitled to legally own the land use rights to the site.

ii) Pursuant to the instruction provided by the Group and the confirmation by the government, the Group has paid the land premium in respect of the site in full. Pursuant to various State-owned Land Use Right Certificates and the Real Estate Title Certificates, the Group is entitled to occupy, use, lease, transfer or other dispose of the site (save and except those parts which have been mortgaged).

iii) A part of the property with a total gross floor area of approximately 68,017.45 sq.m. erected on the Site with a land area of approximately 119,497.82 sq.m. has been mortgaged to Bank of China Foshan City Branch with a maximum mortgage amount of RMB120,000,000. A part of the property with a total gross floor area of approximately 99,049.09 sq.m. erected on the site with a land area of approximately 127,794.13 sq.m. has been mortgaged to Foshan City Shunde District Rural Credit Union Longjiang Branch with a mortgage amount of RMB100,000,000.

iv) The property has not been leased, mortgaged, nor subject to any other right of the third party, litigation, administrative penalties, seizure, disposition and any other dispute (save and except those parts which have been mortgaged).

v) The building of a total gross floor area of approximately 10,534 sq.m. has not legally obtained the relevant construction approvals in accordance to the PRC laws and regulations, which might be punished by demolished within limited time, and associated penalties by the government. The building of a total gross floor area of approximately 26,381.35 sq.m. has been legally obtained the relevant construction approvals in according to the Urban-Rural Planning Law and Construction Law.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 31 March 2010 (RMB)
2.	An industrial complex located in No.38-1, Jianshe Road West, Taoyuan Town, Heshan, Jiangmen City, Guangdong, the PRC	As advised by the Group, the property comprises various 1-6 storey workshops, warehouses, offices, staff quarters and a dinning room with a total gross floor area of approximately 54,580.22 sq.m. erected on a site with an area of approximately 241,252.80 sq.m. (the "Site"), where a part of buildings and structures with a total gross floor area of approximately 17,674 sq.m. is currently under construction and is expected to be completed in 2010. The completed part of buildings and the structures were completed in between 2004 and 2007. The development cost occurred for the under construction part as at the valuation date is approximately RMB9,575,787.25. The property is held under three State-owned Land Use Rights Certificates with various land use terms expiring on 15 August 2052 or 17 September 2058 for industrial use.	The property is currently occupied by the Group as workshop, warehouse, office, staff quarters and dinning room.	95,000,000 (100% interests attributable to the Group: RMB95,000,000)

Notes:

a) Pursuant to the following State-owned Land Use Rights Grant Contracts issued by Guangdong Heshan City Land Resource Bureau, the land use rights of the Site with an area of approximately 241,252.70 sq.m. have been contracted to be granted to the Group.

State-owned Land Use Rights Contract Number	Date of Issuance	Site Area (sq.m.)	Use/Date of Expiry
2002000237	16 August 2002	33,526.30	Industrial: 15 August 2052
2002000239	16 August 2002	46,230.80	Industrial: 15 August 2052
2002000236	16 August 2002	41,213.30	Industrial: 15 August 2052
2002000238	16 August 2002	42,579.90	Industrial: 15 August 2052
440784-2008-0064	18 September 2008	77,702.40	Industrial: 17 September 2058
	Total site area:	241,252.70	

b) Pursuant to various State-owned Land Use Rights Certificates issued by People's Government of Heshan Municipal, the land use rights of the Site with an area of approximately 241,252.80 sq.m. has been granted to the Group.

State-owned Land Use Rights Certificate Number	Date of Issuance	Site Area	Use/Date of Expiry
		(sq.m.)	
He Guo Yong (2008) No.001919	29 October, 2009	77,702.40	Industrial: 17 September 2058
He Guo Yong (2005) No. 000381	22 April, 2005	79,757.20	Industrial: 15 August 2052
He Guo Yong (2005) No. 000382	25 April, 2005	83,793.20	Industrial: 15 August 2052
	Total site area:	241,252.80	

c) Pursuant to the following Real Estate Title Certificates issued by People's Government of Guangdong Province, the building ownership of the property with a total gross floor area of approximately 36,906.22 sq.m. has been granted to the Group.

Real Estate Title Certificates Number	Date of Issuance	Gross Floor Area	Use/Date of Expiry
		(sq.m.)	
Yue Fang Di Zheng Zi No.C5682216	30 October 2007	3,570.00	Industrial: 15 August 2052
Yue Fang Di Zheng Zi No.C5682217	30 October 2007	3,570.00	Industrial: 15 August 2052
Yue Fang Di Zheng Zi No.C5682220	30 October 2007	4,080.00	Industrial: 15 August 2052
Yue Fang Di Zheng Zi No.C5682221	30 October 2007	2,442.77	Industrial: 15 August 2052
Yue Fang Di Zheng Zi No.C5682222	30 October 2007	3,570.00	Industrial: 15 August 2052
Yue Fang Di Zheng Zi No.C3346945	4 July 2005	2,305.52	Industrial: 15 August 2052
Yue Fang Di Zheng Zi No.C3346946	4 July 2005	2,007.93	Industrial: 15 August 2052
Yue Fang Di Zheng Zi No.C3346955	4 July 2005	4,200.00	Industrial: 15 August 2052
Yue Fang Di Zheng Zi No.C3346956	4 July 2005	4,200.00	Industrial: 15 August 2052
Yue Fang Di Zheng Zi No.C3346957	4 July 2005	4,000.00	Industrial: 15 August 2052
Yue Fang Di Zheng Zi No.C3346958	4 July 2005	2,960.00	Industrial: 15 August 2052
	Total:	36,906.22	

d) We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisor, which contains, inter alia, the following information:

i) The Group has obtained the State-owned Land Use Rights Certificate of the property, the Group is entitled to legally own the land use rights to the site.

ii) Pursuant to the instruction provided by the Group and the confirmation by the government, the Group has paid the land premium in respect of the site in full and pursuant to the State-owned Land Use Right Certificate and the Real Estate Title Certificates, the Group is entitled to occupy, use, lease, transfer or otherwise dispose of the site (save and except those parts which have been mortgaged).

iii) A part of the property with a total gross floor area of approximately 21,546.22 sq.m. erected on the site with a land area of 79,757.20 sq.m. have been mortgaged to China Construction Bank Heshan City Branch with a mortgage amount of RMB28,816,900, a part of the property with a total gross floor area of approximately 15,360.00 sq.m. erected on the site with a land area of 83,793.20 sq.m. has been mortgaged to Industrial Commercial Bank of China Heshan City Branch with a mortgage amount of RMB40,592,300. And a site with a land area of 77,702.4 sq.m. has been mortgaged to Industrial Commercial Bank of China Heshan City Branch with a maximum mortgage amount of RMB20,047,200.

iv) The property has not been leased, mortgaged, nor subject to any other right of the third party, litigation, administrative penalties, seizure, disposition and any other dispute (save and except those parts which have been mortgaged).

v) The Group has legally obtained the relevant construction approvals for the under construction part in accordance to the Urban-Rural Planning Law and Construction Law.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 31 March 2010 (RMB)
3.	An industrial complex located in No.1-3, Xinfeng Road South, Huangpu Town, Zhongshan City, Guangdong Province, the PRC	As advised by the Group, the property comprises various 1-5 storey workshops, warehouses, offices and staff quarters with a total gross floor area of approximately 15,247.79 sq.m. erected on a site with an area of approximately 46,124.10 sq.m. (the "Site"). As advised by the Group the property was completed in between 1994 and 2007. The property is held under two State-owned Land Use Rights Certificates with various land use terms expiring on 29 July 2048 or 7 February 2044 for industrial use.	The property is currently occupied by the Group as workshop, warehouse, office and staff quarters.	35,000,000 (100% interests attributable to the Group: RMB35,000,000)

Notes:

a) Pursuant to various State-owned Land Use Rights Certificates issued by People's Government of Zhongshan Municipal, the land use rights of the Site with an land area of approximately 46,124.10 sq.m. has been granted to the Group with various land use terms of 50 years for industrial use.

State-owned Land Use Rights Certificate Number	Date of Issuance	Site Area (sq.m.)	Use/Expire Date
Zhong Fu Guo Yong (2004) No.010191	20 April 2004	39,200.00	Industrial: 29 July 2048
Zhong Fu Guo Yong (2004) No. Yi 010318	17 January 2004	6,924.10	Industrial: 7 February 2044
	Total:	46,124.10	

b) Pursuant to the following Real Estate Title Certificates issued by People's Government of Zhongshan Municipal, the building ownership of the property with a total gross floor area of approximately 15,247.79 sq.m. has been granted to the Group.

Real Estate Title Certificate Number	Date of Issuance	Gross Floor Area	Use/Date of Expiry
		(sq.m.)	
Yue Fang Di Zheng Zi No.C2595499	29 April 2004	1,637.60	Industrial: 7 February 2044
Yue Fang Di Zheng Zi No.C2595712	26 March 2004	8,457.19	Industrial: 29 July 2048
Yue Fang Di Zheng Zi No.C5520891	19 June 2007	1,647.33	Industrial: 7 February 2044
Yue Fang Di Quan Zheng Zhong Fu Zi No.0110000581	14 January 2010	1,895.2	Industrial
Yue Fang Di Quan Zheng Zhong Fu Zi No.0110000578	14 January 2010	1,610.47	Industrial
	Total:	15,247.79	

c) We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisor, which contains, inter alia, the following information:

i) The Group has obtained the State-owned Land Use Rights Certificate of the property, the Group is entitled to legally own the land use rights to the site.

ii) Pursuant to the instruction provided by the Group and the confirmation by the government, the Group has paid the land premium in respect of the site in full. Pursuant to the State-owned Land Use Rights Certificates and Real Estate Title Certificates, the Group is entitled to occupy, use, lease, transfer or otherwise dispose of the site.

iii) The property has not been leased, mortgaged, nor subject to any other right of the third party, litigation, administrative penalties, seizure, disposition and any other dispute.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 31 March 2010 (RMB)
4.	An industrial complex located in No.1 Xincheng No.11 Road, Wujiashan Taiwanese Investment Park, Dongxi Lake District, Wuhan City, Hubei Province, the PRC	As advised by the Group, the property comprises various 1-5 storey industrial buildings and staff quarters with a total gross floor area of approximately 25,695.99 sq.m. erected on a site with an area of approximately 61,333.29 sq.m. (the "Site"). As advised by the Group, the property was completed in 2006. As advised by the Group, one 5-storey workshop with a total gross floor area of approximately 18,406.25 sq.m. is under development for expansion, which will be completed in 2010, the construction cost occurred as at the valuation date is approximately RMB12,672,210.96. The property is held under a State-owned Land Use Rights Certificate with a land use term expiring on 15 October 2052 for industrial use.	The property is currently occupied by the Group as workshop, warehouse and staff quarter.	72,000,000 (100% interests attributable to the Group: RMB72,000,000)

Notes:

a) Pursuant to the State-owned Land Use Rights Certificate Dong Guo Yong (2002) Zi No.010403082 issued by the People's Government of Wuhan Municipal Dongxi Lake District dated October 2002, the land use rights of the Site with a land area of approximately 61,333.29 sq.m. have been granted to the Group with a land use term expiring on 15 October 2052 for industrial use.

b) Pursuant to three Building Ownership Certificates issued by Wuhan Municipal Real Estate Management Bureau, the building ownership of the property with a total gross floor area of approximately 25,695.99 sq.m. has been granted to the Group for industrial and residential use.

Building Ownership Certificate Number	Date of Issuance	Gross Floor Area (sq.m.)	Use
Wu Fang Quan Zheng Dong Zi No.200301091	26 February 2003	14,331.54	Residential/Industrial
Wu Fang Quan Zheng Dong Zi No.200505769	1 August 2005	9,163.26	Residential/Industrial
Wu Fang Quan Zheng Dong Zi No.2007002851	23 April 2007	2,201.19	Industrial
	Total:	25,695.99	

c) We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisor, which contains, inter alia, the following information:

i) The Group has obtained the State-owned Land Use Rights Certificate of the property, the Group is entitled to legally own the land use rights to the site.

ii) Pursuant to the instruction provided by the Group and the confirmation by the government, the Group has paid the land premium in respect of the site in full and pursuant to the State-owned Land Use Right Certificate, the Group is entitled to occupy, use, lease, transfer or otherwise dispose of the site (save and except those parts which have been mortgaged).

iii) A part of the property with a total gross floor area of approximately 23,494.80 sq.m. erected on the site with a land area of approximately 61,333.29 sq.m. have been mortgaged to China Communication Bank Wuhan Dongxi Lake Branch with a mortgage amount of RMB50,000,000.

iv) A part of the property with a total gross floor area of approximately 2,200.00 sq.m. has been leased to the other company of the Group. The lease agreement has been registered in the relevant authorities.

v) The property has not been leased, mortgaged, nor subject to any other right of the third party, litigation, administrative penalties, seizure, disposition and any other dispute (save and except those parts which have been mortgaged or leased).

vi) The Group has legally obtained the relevant construction approvals for the under construction part in accordance to the Urban-Rural Planning Law and Construction Law.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 31 March 2010 (RMB)
5.	An industrial complex located in Xinan Street, Taikang Town, Duerbote Mongolian Autonomous County, Daqing City, Heilongjiang Province, the PRC	As advised by the Group, the property comprises various warehouses, offices and workshops with a total gross floor area of approximately 10,050.14 sq.m. erected on a site with an area of approximately 26,755.88 sq.m. (the "Site"). As advised by the Group, the property was re-built in 2006 and completed in 2007. The property is held under two State-owned Land Use Rights Certificates with various land use terms expiring on 21 June 2056 or 6 November 2059 respectively for industrial use.	The property is currently occupied by the Group as workshop, warehouse and office.	13,000,000 (100% interests attributable to the Group: RMB13,000,000)

Notes:

a) Pursuant to a State-owned Land Use Rights Grant Contract Du 2009-019 dated 6 November 2009 entered into between Duerbote Mongolian Autonomous County Land Resource Bureau and the Group, part of the land use rights of the Site with a land area of approximately 25,712.67 sq.m. has been contracted to be granted to the Group at a consideration of RMB 3,496,923 for industrial use with a term of 50 years.

b) Pursuant to the following State-owned Land Use Rights Certificates issued by the People's Government of Duerbote Mongolian Autonomous County, the land use rights of the Site with a land area of 26,755.88 sq.m. has been granted to the Group for industrial use.

State-owned Land Use Rights Certificate	Date of Certificate	Site Area (sq.m.)	Use/Date of Expiry
Duerbote County Guo Yong (2007) No. 000307	14 March 2007	1,043.21	Industrial: 21 June 2056
Duerbote Guo Yong (2009) No. 003918	27 November 2009	25,712.67	Industrial: 6 November 2059
	Total site area:	26,755.88	

c) Pursuant to four Building Ownership Certificates issued by the People's Government of Duerbote Mongolian Autonomous County, the building ownership of the property with a total gross floor area of approximately 10,050.14 sq.m. has been granted to the Group for warehouse and other uses.

Building Ownership Certificate Number	Date of Issuance	Gross Floor Area (sq.m.)	Use
Du Fang Quan Zheng Tai Kang Zhen Zi No.G0173A	29 November 2005	1,892.25	Warehouse
Du Fang Quan Zheng Tai Kang Zhen Zi No.G0174A	29 November 2005	1,348.00	Warehouse
Du Fang Quan Zheng Tai Kang Zhen Zi No.G0183A	29 November 2005	1,911.78	Other use
Du Fang Quan Zheng Tai Kang Zhen Zi No.G1202A	29 November 2005	4,898.11	Other use
	Total:	10,050.14	

d) We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisor, which contains, inter alia, the following information:

i) The Group has obtained the State-owned Land Use Rights Certificate of the property, the Group is entitled to legally own the land use rights to the site.

ii) Pursuant to the instruction provided by the Group and the confirmation by the government, the Group has paid the land premium in respect of the site in full. Pursuant to the State-owned Land Use Right Certificates the Group is entitled to occupy, use, lease, transfer or otherwise dispose of the site.

iii) The property has not been leased, mortgaged, nor subject to any other right of the third party, litigation, administrative penalties, seizure, disposition and any other dispute.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 31 March 2010 (RMB)
6.	An industrial complex located in Liangjiazhai Village, Hongfenghu Town, Qingzhen City, Guizhou Province, the PRC	As advised by the Group, the property comprises various 1-5 storey offices, staff quarters, workshops and warehouses with a total gross floor area of approximately 41,658.01 sq.m. erected on a site with an area of approximately 84,667.00 sq.m. (the "Site"), where a part of building with a total gross floor area of 18,000.00 sq.m. is currently under construction and is expected to be completed in 2010. The completed part of the buildings and structures were completed in between 2003 and 2009. The development cost occurred for the under construction part as at the valuation date is approximately RMB21,947,011.71. The property is held under a State-owned Land Use Right Certificate with a land use term expiring on 1 December 2052 for industrial use.	The property is currently occupied by the Group as office, staff quarters, workshop and warehouse.	64,000,000 (100% interests attributable to the Group: RMB64,000,000)

Notes:

a) Pursuant to the State-owned Land Use Rights Certificates Qing Guo Yong (2002) Zi No.1-809 issued by People's Government of Qingzhen Municipal, the land use rights of the Site with a land area of approximately 84,667.00 sq.m. has been granted to the Group with a land use terms expiring on 1 December 2052 for industrial use.

b) Pursuant to six Building Ownership Certificates issued by Guiyang Municipal Real Estate Management Bureau, the building ownership of the property with a total gross floor area of approximately 23,658.01 sq.m. has been granted to the Group for industrial use.

Building Ownership Certificate Number	Date of Issuance	Gross Floor Area	Use
		(sq.m.)	
Zhu Fang Quan Zhen Qing Zhen Zi No.160001737	23 August 2005	2,391.01	Residential
Zhu Fang Quan Zhen Qing Zhen Zi No.160001738	23 August 2005	3,000.00	Workshop
Zhu Fang Quan Zhen Qing Zhen Zi No.160001739	23 August 2005	1,467.00	Office
Zhu Fang Quan Zhen Qing Zhen Zi No.160001741	23 August 2005	3,840.00	Warehouse
Zhu Fang Quan Zhen Qing Zhen Zi No.160001743	23 August 2005	1,920.00	Workshop
Zhu Fang Quan Zhen Qing Zhen Zi No.160001744	23 August 2005	11,040.00	Workshop
	Total:	23,658.01	

c) We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisor, which contains, inter alia, the following information:

i) The Group has obtained the State-owned Land Use Rights Certificate of the property, the Group is entitled to legally own the land use rights to the site.

ii) Pursuant to the instruction provided by the Group and the confirmation by the government, the Group has paid the land premium in respect of the site in full and pursuant to the State-owned Land Use Right Certificate, the Group is entitled to occupy, use, lease, transfer or other dispose of the property (save and except those part which have been mortgaged).

iii) The property with a gross floor area of 23,658.01 sq.m. erected on the Site with a land area of approximately 84,667.00 sq.m. has been mortgaged to Guiyang Commercial Bank Qingzhen City Branch with a mortgage amount of RMB18,000,000.

iv) The property has not been leased, mortgaged, nor subject to any other right of the third party, litigation, administrative penalties, seizure, disposition and any other dispute (save and except those part which have been mortgaged).

v) The Group has legally obtained the relevant construction approvals for the under construction part in accordance to the Urban-Rural Planning Law and Construction Law.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 31 March 2010 (RMB)
7.	12 Residential units, No.1 Unit Yishengxuan, Hongshudongfang Project, East Yunling Road, Qinglong Subdistrict, Qingzhen City, Guizhou Province, the PRC	The property comprises 12 residential units with a total gross floor area of approximately 1,230.15 sq.m.. The property was completed in 2007. The property is held under various State-owned Land Use Right Certificates with land use term expiring on 25 June 2054 for residential use.	The property is currently occupied by the Group as staff quarters.	3,100,000 (100% interests attributable to the Group: RMB3,100,000)

Notes:

a) Pursuant to the various State-owned Land Use Rights Certificates issued by the People's Government of Qingzhen Municipal, the land use rights of the property with a total land area of approximately 177.66 sq.m. has been granted to the Group for residential use.

State-owned Land Use Rights Certificate	Date of Certificate	Site Area (sq.m.)	Use/Date of Expiry
Qing Guo Yong(2008) No.XI-0534	16 April 2008	16.49	Residential: 25 June 2054
Qing Guo Yong(2008) No.XI-0535	16 April 2008	16.49	Residential: 25 June 2054
Qing Guo Yong(2008) No.XI-0536	16 April 2008	16.49	Residential: 25 June 2054
Qing Guo Yong(2008) No.XI-0539	16 April 2008	16.49	Residential: 25 June 2054
Qing Guo Yong(2008) No.XI-0540	16 April 2008	16.13	Residential: 25 June 2054
Qing Guo Yong(2008) No.XI-0541	16 April 2008	13.68	Residential: 25 June 2054
Qing Guo Yong(2008) No.XI-0542	16 April 2008	13.68	Residential: 25 June 2054
Qing Guo Yong(2008) No.XI-0543	16 April 2008	13.68	Residential: 25 June 2054
Qing Guo Yong(2008) No.XI-0544	16 April 2008	13.68	Residential: 25 June 2054
Qing Guo Yong(2008) No.XI-0545	16 April 2008	13.68	Residential: 25 June 2054
Qing Guo Yong(2008) No.XI-0546	16 April 2008	13.68	Residential: 25 June 2054
Qing Guo Yong(2008) No.XI-0547	16 April 2008	13.31	Residential: 25 June 2054
	Total site area:	177.66	

b) Pursuant to the following Building Ownership Certificates issued by Guiyang Municipal Real Estate Management Bureau, the building ownership of the property with a total gross floor area of approximately 1,230.15 sq.m. has been granted to the Group for residential use.

Building Ownership Certificates Number	**Date of Certificate**	**Gross Floor Area**	**Use**
		(sq.m.)	
Zhu Fang Quan Zheng Qing Zhen Zi No.160003931	19 January 2007	114.34	Residential
Zhu Fang Quan Zheng Qing Zhen Zi No.160003932	19 January 2007	114.34	Residential
Zhu Fang Quan Zheng Qing Zhen Zi No.160003933	19 January 2007	114.34	Residential
Zhu Fang Quan Zheng Qing Zhen Zi No.160003934	19 January 2007	114.34	Residential
Zhu Fang Quan Zheng Qing Zhen Zi No.160003935	19 January 2007	111.76	Residential
Zhu Fang Quan Zheng Qing Zhen Zi No.160003936	19 January 2007	94.80	Residential
Zhu Fang Quan Zheng Qing Zhen Zi No.160003937	19 January 2007	94.80	Residential
Zhu Fang Quan Zheng Qing Zhen Zi No.160003938	1 January 2007	94.80	Residential
Zhu Fang Quan Zheng Qing Zhen Zi No.160003940	1 January 2007	94.80	Residential
Zhu Fang Quan Zheng Qing Zhen Zi No.160003941	1 January 2007	94.80	Residential
Zhu Fang Quan Zheng Qing Zhen Zi No.160003942	1 January 2007	94.80	Residential
Zhu Fang Quan Zheng Qing Zhen Zi No.160003958	1 January 2007	92.23	Residential
	Total:	1,230.15	

c) We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisor, which contains, inter alia, the following information:

i) The Group has obtained the land use rights and building ownership of the property. During the terms of the Land Use Rights Certificates, the Group is entitled to occupy, use, lease, transfer or other dispose of the property.

ii) The Group has obtained all the requisite approval for the said Land Use Rights Certificate and Building Ownership Certificates.

iii) The property has not been leased, mortgaged, nor subject to any other right of the third party, litigation, administrative penalties, seizure, disposition and any other dispute.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 31 March 2010 (RMB)
8.	An industrial complex located in Dongdaihe East, Changqi Road North, Beixingzhuangxiang, Renqiu City, Hebei Province, the PRC	The property comprises various workshops, offices, staff quarters, cafeteria and other ancillary structures with a total gross floor area of approximately 65,445.58 sq.m. erected on a site with an area of approximately 200,000 sq.m. (the "Site"). The property was completed in between 2007 and 2008. The property is held under two State-owned Land Use Rights Certificates with two land use terms expiring on 31 March 2056 or 3 April 2058 for industrial use.	The property is currently occupied by the Group as workshop, office, staff quarters and cafeteria.	125,000,000 (100% interests attributable to the Group: RMB125,000,000)

Notes:

a) Pursuant to two State-owned Land Use Rights Certificates issued by People's Government of Renqiu Municipal, the land use rights of the Site with a total land area of approximately 200,000.00 sq.m. has been granted to the Group for industrial use.

State-owned Land Use Rights Certificate Number	Date of Issuance	Site Area (sq.m.)	Use/Date of Expiry
Ren Zheng Chu Guo Yong (2008) No. 017	10 September 2008	83,333.00	Industrial: 31 March 2056
Ren Zheng Chu Guo Yong (2008) No. 008	19 June 2008	116,667.00	Industrial: 3 April 2058
	Total:	200,000.00	

b) Pursuant to the Building Ownership Certificate Ren Qiu Shi Fang Quan Zheng Ren Quan Zi No. 402007187 issued by Renqiu Municipal Real Estate Management Bureau, the building ownership of the property with a total gross floor area of 65,445.58 sq.m. has been granted to the Group for industrial use.

c) We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisor, which contains, inter alia, the following information:

   i) The Group has obtained the State-owned Land Use Rights Certificate of the property, the Group is entitled to legally own the land use rights to the site.

   ii) Pursuant to the instruction provided by the Group and the confirmation by the government, the Group has paid the land premium in respect of the Site in full. Pursuant to various State-owned Land Use Rights Certificates and Building Ownership Certificates, the Group is entitled to occupy, use, lease, mortgage, transfer or otherwise dispose of the Site (save and except those parts which have been mortgaged).

iii) The building part of the property with a total gross floor area of 65,445.58 sq.m. erected on the Site with a total site area of approximately 200,000 sq.m. has been mortgaged to Cangzhou Commercial Bank Renqiu City Branch with a mortgage amount of RMB35,200,000.

iv) The property has not been leased, mortgaged, nor subject to any other right of the third party, litigation, administrative penalties, seizure, disposition and any other dispute (save and except those parts which have been mortgaged).

VALUATION CERTIFICATE

No.	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 31 March 2010 (RMB)
9.	Unit 8A, No.189 Tiyu Road West, Tianhe District, Guangzhou City, Guangdong Province, the PRC	The property comprises an office unit with a gross floor area of approximately 230.5426 sq.m. The property was completed in 1997. The property is held under a Real Estate Title Certificate with a land use term of 50 years commencing from 27 January 1997 for office use.	The property is currently by the Group as an office.	3,200,000 (100% interests attributable to the Group: RMB3,200,000)

Notes:

a) Pursuant to a Real Estate Title Certificate C1830142 dated 3 April 2007 issued by Guangzhou Land Resources and Housing Administration Bureau, the building ownership of the property with a gross floor area of approximately 230.5426 sq.m. has been granted to the Group.

b) We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisor, which contains, inter alia, the following information:

  i) The Group has obtained the Real Estate Title Right Certificate of the property. During the term of the land use rights, the Group is entitled to occupy, use, lease, transfer, mortgage the property.

  ii) The property has not been leased, mortgaged, nor subject to any other right of the third party, litigation, administrative penalties, seizure, disposition and any other dispute.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 31 March 2010 (RMB)
10.	Units 1609 and 1610, Level 16, Block A, Xinxing Building, No.93, Minzu Avenue, Nanning City, Guangxi Province, the PRC	The Property comprises two office units with a total gross floor area of approximately 244.95 sq.m.. The property was completed in about 2003.	The property is currently by the Group as an office.	1,200,000 (100% interests attributable to the Group: RMB1,200,000)

Notes:

a) Pursuant to the Building Ownership Certificates dated 25 October 2006 issued by Nanning Municipal Real Estate Management Bureau, the building ownership of the property with a total gross floor area of approximately 244.95 sq.m. has been granted to the Group.

Building Ownership Certificate Number	Date of Issuance	Gross Floor Area (sq.m.)	Use
Yong Fang Quan Zheng Zi No.01573336	25 October 2006	153.19	Office
Yong Fang Quan Zheng Zi No.01573380	25 October 2006	91.76	Office
	Total:	244.95	

b) We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisor, which contains, inter alia, the following information:

i) The Group has obtained the Building Ownership Certificates of the property, the Group is entitled to occupy, use, lease, transfer or other dispose of the property.

ii) The property has not been leased, mortgaged, nor subject to any other right of the third party, litigation, administrative penalties, seizure, disposition and any other dispute.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 31 March 2010 (RMB)
11.	Room 501, Unit 3, Block 21, Shan Shui Xing Chen, North of Dongwu Avenue, Dongxi Lake District, Wuhan City, Hubei Province, the PRC	The property comprises one residential unit with a total gross floor area of approximately 118.04 sq.m. The property was completed in 2006. The property is held under a State-owned Land Use Rights Certificate with the land use term expiring on 10 September 2072 for residential use.	The property is currently occupied by the Group as staff quarters.	550,000 (100% interests attributable to the Group: RMB550,000)

Notes:

a) Pursuant to the State-owned Land Use Rights Certificate Dong Guo Yong (Shang 2006) No.010303129-2-21-3501 issued by the People's Government of Wuhan Municipal Dongxi Lake District dated 26 October 2006, the land use rights of the property with a land area of approximately 22.03 sq.m. has been granted to the Group with a land use term expiring on 10 September 2072 for residential use.

b) Pursuant to the Building Ownership Certificate Wu Fang Quan Zheng Dong Zi No. 2006004219 issued by Wuhan Municipal Dongxi Lake District Real Estate Management Bureau, the building ownership of the property with a total gross floor area of approximately 118.04 sq.m. has been granted to the Group for residential use.

c) We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisor, which contains, inter alia, the following information:

   i) The Group has obtained the State-owned Land Use Rights Certificate of the property, the Group is entitled to legally own the land use rights to the site.

   ii) Pursuant to the State-owned Land Use Rights Certificate and Building Ownership Certificate, the Group is entitled to occupy, use, lease, transfer, mortgage the property.

   iii) The property has not been leased, mortgaged, nor subject to any other right of the third party, litigation, administrative penalties, seizure, disposition and any other dispute.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 31 March 2010 (RMB)
12.	An industrial complex located in No. 1, Xiushan Road East, Lishui Economic Development Zone, Lishui County, Nanjing City, Jiangsu Province, the PRC	As advised by the Group, the property comprises various 1-5 storey offices, staff quarters, dinning room and workshops with a total gross floor area of approximately 67,261.85 sq.m. erected on a site with an area of approximately 185,195.6 sq.m. (the "Site"). As advised by the Group, the property was completed in 2009. The property is held under a State-owned Land Use Rights Certificate with a land use term expiring on 30 January 2057 for industrial use.	The property is currently occupied by the Group as office, staff quarters, workshop and warehouse.	108,000,000 (100% interests attributable to the Group: RMB108,000,000)

Notes:

a) Pursuant to a State-owned Land Use Rights Grant Contract Li Guo Tu Zi Rang He (2006) 228 dated 30 December 2006 entered into between Li Shui County Land Resource Bureau and the Group, the land use rights of the Site with a total land area of approximately 185,195.8 sq.m. has been contracted to be granted to the Group at a consideration of RMB22,223,496.00 for industrial use with a term of 50 years.

b) Pursuant to a State-owned Land Use Rights Certificate Ning Li Guo Yong (2007) Di No. 0297 dated 25 January 2007 issued by People's Government of Lishui County, the land use rights of the Site with a land area of approximately 185,195.6 sq.m. has been granted to the Group with a land use term expiring on 30 January 2057 for industrial use.

c) Pursuant to the following Building Ownership Certificates dated 19 January 2010 issued by People's Government of Lishui Country, the building ownership of the property with a total gross floor area of approximately 67,261.85sq.m. has been granted to the Group.

Building Ownership Certificate Number	Date of Issuance	Gross Floor Area (sq.m.)	Use
Li Fang Quan Zheng Chu Zi No.2043960	19 January 2010	2,617.18	Other
Li Fang Quan Zheng Chu Zi No.2043961	19 January 2010	3,118.26	Other
Li Fang Quan Zheng Chu Zi No.2043962	19 January 2010	2,807.94	Other
Li Fang Quan Zheng Chu Zi No.2043963	19 January 2010	2,458.75	Office
Li Fang Quan Zheng Chu Zi No.2043964	19 January 2010	1,483.13	Other
Li Fang Quan Zheng Chu Zi No.2043965	19 January 2010	5,750	Industrial
Li Fang Quan Zheng Chu Zi No.2043966	19 January 2010	8,018.51	Industrial
Li Fang Quan Zheng Chu Zi No.2043967	19 January 2010	600	Industrial
Li Fang Quan Zheng Chu Zi No.2043968	19 January 2010	6,402	Industrial
Li Fang Quan Zheng Chu Zi No.2043969	19 January 2010	4,900	Industrial
Li Fang Quan Zheng Chu Zi No.2043970	19 January 2010	3,920	Industrial
Li Fang Quan Zheng Chu Zi No.2043971	19 January 2010	14,414.08	Industrial
Li Fang Quan Zheng Chu Zi No.2043972	19 January 2010	6,372	Industrial
Li Fang Quan Zheng Chu Zi No.2043973	19 January 2010	4,400	Industrial
	Total:	67,261.85	

d) We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisor, which contains, inter alia, the following information:

i) The Group has obtained the State-owned Land Use Rights Certificate of the property, the Group is entitled to legally own the land use rights to the site.

ii) Pursuant to the instruction provided by the Group and the confirmation by the government, the Group has paid the land premium in respect of the site in full. Pursuant to the State-owned Land Use Rights Certificate and the Real Estate Title Certificates, the Group is entitled to occupy, use, lease, transfer, mortgage or otherwise dispose of the property.

iii) A total site with an area of approximately 185,195.6 sq.m. have been mortgaged to Agriculture Bank of China Lishui Branch with a mortgage amount of RMB 28,000,000. The building portion is under the procedure of mortgage registration.

iv) The property has not been leased, mortgaged, nor subject to any other right of the third party, litigation, administrative penalties, seizure, disposition and any other dispute (save and except those parts which have been mortgaged).

VALUATION CERTIFICATE

Group II — Property interests held by the Group for development in the PRC

No.	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 31 March 2010 (RMB)
13.	A constructing development located in Plot G03-2-2, Daba Industrial Park, Longjiang Town, Shunde District, Foshan City, Guangdong Province, the PRC	The property occupies a site with an area of approximately 33,000.11 sq.m. (the "Site"). As advised by the Group, upon completion, the development will comprise various staff quarters and offices with a total gross floor area of approximately 126,798.80 sq.m. and it is expected to be completed in 2011. The development cost occurred for construction as at the valuation date is approximately RMB101,933,920.65. The property is held under a State-owned Land Use Rights Certificate with a land use term expiring on 29 June 2057 for industrial use.	The property is currently under development.	121,000,000 (100% interests attributable to the Group: RMB121,000,000)

Notes:

a) Pursuant to a State-owned Land Use Rights Grant Contract 440606-2007-000588 dated 29 June 2007 entered into between Foshan Land Resource Bureau and the Group, the land use rights of the Site with a land area of approximately 33,000.11 sq.m. has been contracted to be granted to the Group at a consideration of RMB 7,260,024.20.

b) Pursuant to a State-owned Land Use Rights Certificate Fo Fu (Shun) Guo Yong (2007) No.0701166 dated 27 September 2007 issued by People's Government of Fushan Municipal, the land use rights of the Site with an area of approximately 33,000.11 sq.m. has been granted to the Group with a land use term expiring on 29 June 2057 for industrial use.

c) We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisor, which contains, inter alia, the following information:

   i) The Group has obtained the State-owned Land Use Rights Certificate of the property, the Group is entitled to legally own the land use rights to the site.

   ii) Pursuant to the instruction provided by the Group and the confirmation by the government, the Group has paid the land premium in respect of the site in full and pursuant to the State-owned Land Use Right Certificate, the Group is entitled to occupy, use, lease, transfer or otherwise dispose of the site (save and except those parts which have been mortgaged).

   iii) The Site with a land area of approximately 33,000.11 sq.m. has been mortgaged to Foshan Shunde Rural Credit Union Longjiang Branch with a mortgage amount of RMB10,000,000.

iv) The property has not been leased, mortgaged, nor subject to any other right of the third party, litigation, administrative penalties, seizure, disposition and any other dispute (save and except those parts which have been mortgaged).

v) The Group has legally obtained the relevant construction approvals in accordance to the Urban-Rural Planning and Construction Law.

d) A summary of major certificates/approvals is shown as follows:

i)	State-owned Land Use Rights Grant Contract	Yes
ii)	State-owned Land Use Rights Certificate	Yes
iii)	Construction Land Use Planning Permit	Yes
iv)	Construction Works Planning Permit	Yes
v)	Construction Works Commencement Permit	Yes
vi)	Pre-sale Permit	N/A
vii)	Completion Construction Works Certified Report	N/A

VALUATION CERTIFICATE

No.	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 31 March 2010 (RMB)
14.	A constructing development located in West of Zhongshan Street, North of Xingbing Er Road, Changchun Economic Technological Development Zone, Changchun City, Jilin Province, the PRC	The property occupies a site with an area of approximately 202,040.00sq.m. (the "Site"). As advised by the Group, upon the completion, the development will comprise various factory, logistic warehouse, staff quarters and dinning room with a total gross floor area of approximately 26,180.00 sq.m. and it is expected to be completed in 2010. The development cost occurred for construction portion as at the valuation date is approximately RMB22,502,108.58. The property is held under a State-owned Land Use Rights Certificate with a land use term expiring on 28 February 2058 for industrial use.	The property is currently under development.	72,000,000 (100% interests attributable to the Group: RMB72,000,000)

Notes:

a) Pursuant to a State-owned Land Use Rights Grant Contract Chang Guo Chu 2008 Zi No.300004 dated 29 February 2008 entered into between Changchun Land Resource Bureau and the Group, the land use rights of the Site with a total land area of approximately 202,040.00 sq.m. has been contracted to be granted to the Group at a consideration of RMB 329,576.00.

b) Pursuant to a State-owned Land Use Rights Certificate Chang Guo Yong (2009) No.071008310 dated 25 August 2009 issued by People's Government of Changchun Municipal, the land use rights of the Site with an area of approximately 202,040.00 sq.m. has been granted to the Group with a land use term expiring on 28 February 2058 for industrial use.

c) We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisor, which contains, inter alia, the following information:

   i) The Group has obtained the State-owned Land Use Rights Certificate of the property, the Group is entitled to legally own the land use rights to the site.

   ii) Pursuant to the instruction provided by the Group and the confirmation by the government, the Group has paid the land premium in respect of the site in full and pursuant to the State-owned Land Use Right Certificate, the Group is entitled to occupy, use, lease, transfer or mortgage the site.

   iii) The property has not been leased, mortgaged, nor subject to any other right of the third party, litigation, administrative penalties, seizure, disposition and any other dispute.

   iv) The Group has legally obtained the relevant construction approvals in accordance to the Urban-Rural Planning Law and Construction Law.

d) A summary of major certificates/approvals is shown as follows:

i)	State-owned Land Use Rights Grant Contract	Yes
ii)	State-owned Land Use Rights Certificate	Yes
iii)	Construction Land Use Planning Permit	Yes
iv)	Construction Works Planning Permit	Part
v)	Construction Works Commencement Permit	Part
vi)	Pre-sale Permit	N/A
vii)	Completion Construction Works Certified Report	N/A

VALUATION CERTIFICATE

No.	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 31 March 2010 (RMB)
15.	A constructing development located in South of Dongwu Avenue and East of the 15th Ditch, Dongxi Lake District, Wuhan City, Hubei Province, the PRC	The property occupies a site with a land area of approximately 40,627.75 sq.m. (the "Site"). As advised by the Group, upon completion, the development will comprise one 5-storey office building with a total gross floor area of approximately 3,328.56 sq.m. and three 1-2 storey workshops with a total gross floor area of approximately 11,858.25 sq.m., and it is expected to be completed in 2010. The development cost occurred for construction portion as at the valuation date is approximately RMB 18,096,330.67. The property is held under a State-owned Land Use Rights Certificate with a land use term expiring on 6 August 2059 for industrial use.	The property is currently under development.	39,000,000 (100% interests attributable to the Group: RMB39,000,000)

Notes:

a) Pursuant to a State-owned Land Use Rights Grant Contract WH(DXH)-2009-000 dated 7 May 2009 entered into between Dongxi Lake District Land Resource Management Bureau and the Group, the land use rights of the Site with a land area of approximately 40,627.75 sq.m. has been contracted to be granted to the Group at a consideration of RMB20,800,000.00.

b) Pursuant to the State-owned Land Use Rights Certificate Dong Guo Yong (2009) No.010505097 issued by People's Government of Dongxi Lake District dated 28 July 2009, the land use rights of the Site with a total land area of 40,627.75 sq.m. has been granted to the Group with a land use term expiring on 6 August 2059 for industrial use.

c) We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisor, which contains, inter alia, the following information:

i) The Group has obtained the State-owned Land Use Rights Certificate of the property, the Group is entitled to legally own the land use rights to the site.

ii) Pursuant to the instruction provided by the Group and the confirmation by the government, the Group has paid the land premium in respect of the site in full and pursuant to the State-owned Land Use Rights Certificate, the Group is entitled to occupy, use, lease, transfer, mortgage or otherwise dispose of the site.

iii) The site has not been leased, mortgaged, nor subject to any other right of the third party, litigation, administrative penalties, seizure, disposition and any other dispute.

iv) The Group has legally obtained the relevant construction approvals in accordance to the Urban-Rural Planning Law and Construction Law.

d) A summary of major certificates/approvals is shown as follows.

i)	State-owned Land Use Rights Grant Contract	Yes
ii)	State-owned Land Use Rights Certificate	Yes
iii)	Construction Land Use Planning Permit	Yes
iv)	Construction Works Planning Permit	Part
v)	Construction Works Commencement Permit	Part
vi)	Pre-sale Permit	NA
vii)	Completion Construction Works Certified Report	NA

VALUATION CERTIFICATE

No.	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 31 March 2010 (RMB)
16.	A constructing development located in South of Weiwu Road, Chemical Industrial Park, Miquan District, Urumqi, Xinjiang Uygur Autonomous Region, the PRC	The property occupies a site with an area of approximately 266,663.78 sq.m. (the "Site"). As advised by the Group, upon completion, the development will comprise various workshops, warehouse, staff quarters and dinning room with a total gross floor area of approximately 43,881.36 sq.m. and it is expected to be completed in 2010. The development cost occurred for under construction portion as at the valuation date is approximately RMB 47,557,783.01. The property is held under a State-owned Land Use Rights Certificate with a land use term expiring on 24 June 2057 for industrial use.	The property is currently under development.	67,000,000 (100% interests attributable to the Group: RMB67,000,000)

Notes:

a) Pursuant to a State-owned Land Use Rights Grant Contract GF-2000-2601 dated 24 June 2007 entered into between Xinjiang Midong New District Land Resource Bureau and the Group, the land use rights of the Site with a total land area of approximately 266,663.78 sq.m. has been contracted to be granted to the Group at a consideration of RMB7,999,913.40.

b) Pursuant to a State-owned Land Use Rights Certificate Mi Guo Yong (2009) No.9274 dated 27 March 2009 issued by People's Government of Miquan Municipal, the land use rights of the Site with an area of approximately 266,663.78 sq.m. has been granted to the Group with a land use term expiring on 24 June 2057 for industrial use.

c) We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisor, which contains, inter alia, the following information:

   i) The Group has obtained the State-owned Land Use Rights Certificate of the property, the Group is entitled to legally own the land use rights to the site.

   ii) Pursuant to the instruction provided by the Group and the confirmation by the government, the Group has paid the land premium in respect of the site in full and pursuant to the State-owned Land Use Rights Certificate, the Group is entitled to occupy, use, lease, transfer, mortgage or otherwise dispose of the site.

   iii) The site has not been leased, mortgaged, nor subject to any other right of the third party, litigation, administrative penalties, seizure, disposition and any other dispute.

   iv) The Group has legally obtained the relevant construction approvals in accordance to the Urban-Rural Planning Law and Construction Law.

d) A summary of major certificates/approvals is shown as follows:

i)	State-owned Land Use Rights Grant Contract	Yes
ii)	State-owned Land Use Rights Certificate	Yes
iii)	Construction Land Use Planning Permit	Yes
iv)	Construction Works Planning Permit	Part
v)	Construction Works Commencement Permit	Part
vi)	Pre-sale Permit	No
vii)	Completion Construction Works Certified Report	No

VALUATION CERTIFICATE

No.	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 31 March 2010 (RMB)
17.	An industrial complex located in De Li Ge Er Industrial Park, Taikang Town, Duerbote Mongolian Autonomous County, Daqing City, Heilongjiang Province, the PRC	The property occupies a site with an area of approximately 67,503.00 sq.m. (the "Site"). As advised by the Group, upon completion, the development will comprise four single storey warehouses with a total gross floor area of approximately 26,712.00 sq.m. and it is expected to be completed in 2010. The development cost occurred for under construction portion as at the valuation date is approximately RMB21,216,690.38. The property is held under a State-owned Land Use Rights Certificate with a land use term expiring on 8 September 2059 for industrial use.	The property is currently under development.	27,900,000 (100% interests attributable to the Group: RMB27,900,000

Notes:

a) Pursuant to a State-owned Land Use Rights Grant Contract Du 2009-016 dated 8 September 2009 entered into between Duerbote Mongolian Autonomous County Land Resource Bureau and the Group, the land use rights of the Site with a total land area of approximately 67,503.00 sq.m. has been contracted to be granted to the Group at a consideration of RMB 6,400,000 for industrial use with a term of 50 years.

b) Pursuant to a State-owned Land Use Rights Certificate Duerbote Guo Yong (2009) No.003779 dated 20 November 2009 issued by People's Government of Duerbote Mongolian Autonomous County, the land use rights of the Site with an area of approximately 67,503.00 sq.m. has been granted to the Group with a land use term expiring on 8 September 2059 for industrial use.

c) We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisor, which contains, inter alia, the following information:

i) The Group has obtained the State-owned Land Use Rights Certificate of the property, the Group is entitled to legally own the land use rights to the site.

ii) Pursuant to the instruction provided by the Group and the confirmation by the government, the Group has paid the land premium in respect of the site in full and pursuant to the State-owned Land Use Rights Certificate, the Group is entitled to occupy, use, lease, transfer, mortgage or otherwise dispose of the site.

iii) The property have not been leased, mortgaged, nor subject to any other right of the third party, litigation, administrative penalties, seizure, disposition and any other dispute.

iv) The Group has legally obtained the relevant construction approvals in accordance to the Urban-Rural Planning Law and Construction Law.

d) A summary of major certificates/approvals is shown as follows:

i)	State-owned Land Use Rights Grant Contract	Yes
ii)	State-owned Land Use Rights Certificate	Yes
iii)	Construction Land Use Planning Permit	Yes
iv)	Construction Works Planning Permit	Part
v)	Construction Works Commencement Permit	Part
vi)	Pre-sale Permit	NA
vii)	Completion Construction Works Certified Report	NA

VALUATION CERTIFICATE

Group III — Property interests rented by the Group in the PRC and Hong Kong

No.	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 31 March 2010 (RMB)
18.	An industrial complex located in No.77, Xixi sect, Longzhou Road, Xixi Resident Committee, Longjiang town, Shunde District, Foshan City, Guangdong Province, the PRC	The property comprises various 1-8 storey offices, cafeterias, workshops and warehouses with a total gross floor area of approximately 44,873.24 sq.m. erected on a site with an area of approximately 32,894.33 sq.m. (the "Site"). The property was completed in between 1998 and 2004. The property is leased by Wong Luen Hei and Zuo Xiao Ping ("Party A") to the Group for a term from 1 January 2010 to 31 December 2018 at a monthly rent of RMB269,239.40.	The property is currently occupied by the Group as office, workshop, cafeteria, staff quarters and warehouse.	No commercial value

Notes:

a) Pursuant to the following tenancy agreements entered into between Wong Luen Hei, Zuo Xiao Ping (Party A) and the Group (Party B), Party A agreed to lease the property to the Group and some of the important terms stipulated in the tenancy agreements are, inter alia, as following:

i. The total monthly rent of RMB269,239.40 with a growth rate of 10% every three years, is agreed.

ii. The rent is exclusive of management fee and other outgoings.

b) Pursuant to the following Real Estate Title Certificates, the property with a total gross floor area of 44,873.24 sq.m., where the property located therein, is hold by the party A.

Real Estate Title Certificate Number	**Date of Issuance**	**Site Area**	**Gross Floor Area**	**Owner**
		(sq.m.)	**(sq.m.)**	
Yue Fang Di Zheng Zi No.2782681	9 November 2000	9,348.10	18,714.30	Wong Luen Hei, Zuo Xiao Ping
Yue Fang Di Zheng Zi No.C0224498	5 June 2001	2,027.50	11,271.70	Wong Luen Hei
Yue Fang Di Zheng Zi No.C6311594	7 March 2008	11,000.93	7,814.80	Wong Luen Hei
Yue Fang Di Zheng Zi No.C6311595	7 March 2008	10,517.80	7,072.44	Wong Luen Hei
	Total:	32,894.33	44,873.24	

c) We were advised that the owner is a connected party of the Group.

d) We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisor, which contains, inter alia, the following information:

i) The lessor has acquired the Real Estate Title Certificate and is entitled to use and lease the property.

ii) The new lease agreements have been registered in the relevant authorities, according the lease agreements between the lessor and the Group, the Group is entitled to use the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 31 March 2010 (RMB)
19.	A building located in Xixi Industrial Park, Longjiang Town, Shunde District, Foshan City, Guangzhou Province, the PRC	As advised by the Group, the property comprises a site with a land area of approximately 1,333.34 sq.m. (the "Site"), and a building with a total gross floor area of approximately 4,918.36 sq.m.. The property is leased by Foshan City Shunde District Longjiang Town Xixi Community Stock Cooperation ("Party A") to the Group for a term of 9 years with an expiry date on 31 December 2018.	The Property is occupied by the Group as a research and development Center.	No Commercial Value

Notes:

a) Pursuant to the agreement issued on 7 November 2009 enter into between Foshan City Shunde District Longjiang Town Xixi Community Stock Cooperation (Party A) and the Group and Guangdong Liansu Fire Fighting & Value & Plumbing Accessories Co., Ltd.. Party A agreed to lease the property to the Group. Some of the important terms stipulated in the tenancy agreements are, inter alia, as following:

i) The total yearly rent of RMB 16,000.00 for site area of 1,333.34 sq.m. with a growth rate of 10% every three years is agreed.

ii) The lease term is commenced from 1 November 2009 to 31 December 2018.

iii) The rent is exclusive of management fee and other outgoings.

iv) The Group cannot sublet part or whole property to third party without written consent to Party A.

b) We have not been provided the relevant Real Estate Title Right Certificate of the property from the Group.

c) We were advised that the owner is an independent third party of the Group.

d) We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisor, which contains, inter alia, the following information:

i) The land use right of the property is State-owned allocation land use rights, which could not be transferred, leased, mortgaged without obtaining the approval from the government.

ii) The lessor has not obtained the approval from the government, the building may be considered an illegal and unauthorized structure, and the relevant governmental authorities may order the demolition, forfeiture or rectification of such building and/or require us to pay a fine of up to 10% of the value of the building. The lease agreement is considered as illegal, the lessee may be face the risk of moving out of the site.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 31 March 2010 (RMB)
20.	A unit located in Level 3, Zone A, Yingxin City Plaza, No.11, Wenhua Road, Xixi Resident management office, Longjiang Town, Shunde District, Foshan City, Guangdong Province, the PRC	As advised by the Group, the property comprises an office units with a total leased floor area of approximately 10.00 sq.m. in a 4-storey commercial building. The building was completed in 2004. The property is leased by Foshan City Shunde District Yingxin Property Development Limited to the Group for a term of 5 years with an expiry date on 1 September 2014.	The Property is occupied by the Group as an office.	No Commercial Value

Notes:

a) Pursuant to the tenancy agreement entered into between Foshan City Shunde District Yingxin Property Development Limited (Party A) and Foshan Liansu Import & Trading Co., Ltd. Party A agreed to lease the property to the Group. Some of the important terms stipulated in the tenancy agreements are, inter alia, as following:

   i) The total monthly rent of RMB 300 for lease area of 10 sq.m. is agreed.

   ii) The lease term is commenced from 1 September 2009 to 1 September 2014.

   iii) The rent is exclusive of management fee and other outgoings.

   iv) The Group cannot sublet part or whole property to third party without written consent to Party A.

b) Pursuant to the Real Estate Title Certificates (Yue Fang Di Zheng Zi No.C4768597) issued by People's Government of Guangdong Province, the building with a total gross floor area of approximately 4,456.00 sq.m., in which the property is located therein, is held by Foshan City Shunde District Yingxin Property Development Limited for commercial use with an expiry date on 8 December 2053.

c) We were advised that the owner of the property is a connected party of the Group.

d) We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisor, which contains, inter alia, the following information:

   i) The lessor has acquired the Real Estate Title Right Certificate and is entitled to use and lease the property.

   ii) The lease agreement has been registered in the relevant authorities. According to the lease agreement, the Group is entitled to use the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 31 March 2010 (RMB)
21.	An industrial complex located in Bajiao Industrial park, Deyang City, Sichuan Province, the PRC	As advised by the Group, the property comprises various offices, workshops and warehouses with a total gross floor area of approximately 7,338.33 sq.m. erected on a site with an area of approximately 43,333.55 sq.m. which were completed in 2009. The property is leased by Sichuan Jinlu Group Limited to the Group for a term of 3 years from June 2009 at a yearly rent of RMB 2.4 million.	The property is occupied by the Group as office, workshop and warehouse.	No Commercial Value

Notes:

a) Pursuant to a tenancy agreement and the supplementary agreement entered into between Sichuan Jinlu Group Stock Limited, Sichuan Jinlu Plastic Limited (Party A) and the Group (Party B), Party A agreed to lease the property to Party B for a term of 3 years from 15 days after the day of transferring at a yearly rent of RMB 2.4 million. The total site of the land area of approximately 43,333.55 sq.m. is contracted to be leased to the Group.

b) Pursuant to a State-owned Land Use Rights Certificate issued by People's Government of Deyang Municipal, the site with land area of 56,372.00 sq.m. in which the property is therein, with a land use term expiring on 30 December 2048 for industrial use has been granted to Sichuan Jinlu Group Stock Limited.

State-owned Land Use Rights Certificate Number	Date of Issuance	Site Area (sq.m.)	Use/Date of Expiry
De Fu Guo Yong 2008 No.009414	26 September 2008	14,140.00	Industrial: 30 December 2048
De Fu Guo Yong 2008 No.009415	26 September 2008	9,653.00	Industrial: 30 December 2048
De Fu Guo Yong 2008 No.009416	26 September 2008	13,332.00	Industrial: 30 December 2048
De Fu Guo Yong 2008 No.009417	26 September 2008	19,247.00	Industrial: 30 December 2048
	Total:	56,372.00	

c) We were advised that the owner of the property is an independent third party of the Group.

d) We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisor, which contains, inter alia, the following information:

   i) The lessor has obtained the State-owned Land Use Rights Certificates, the lessor is entitled to legally owned and lease the land use rights of the site.

   ii) The lessor has not obtained the Building Ownership Certificates, but has legally obtained the relevant Construction Works Planning Permits. The lease agreement is valid.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 31 March 2010 (RMB)
22.	An industrial complex located in Hualin Industrial Zone, Huaizhou Road South, Xicheng District Huaiyang County, Henan Province, the PRC	As advised by the Group, the property comprises four 1-5 storey industrial buildings and ancillary structures with a total gross floor area of approximately 37,918.76 sq.m. erected on a site with an area of approximately 241,334.54 sq.m. (the "Site"). The property was completed in between 2004 and 2005. The property is leased by Hualin Group Bankruptcy Trustee to the Group for a term of 2 years with an expiry date on 31 December 2010.	The property is currently occupied by the Group as warehouse and workshop.	No commercial value

Notes:

a) Pursuant to a tenancy agreement entered into between Henan Hualin Group Bankruptcy Trustee (Party A) and the Group (Party B) dated 9 January 2009, Party A agreed to lease the property to Party B for a term of 2 years with an expiry date on 31 December 2010 at a yearly rent of RMB6,800,000.

b) Pursuant to a State-owned Land Use Rights Certificate Huai Guo Yong (2005) No. 154 issued by People's Government of Huaiyang County, the land use rights of the property with a land area of approximately 288,667.00 sq.m., in which the property is located therein, has been granted to Henan Hualin Chemical Building Material Co., Ltd..

c) Pursuant to the Building Ownership Certificate No. Huai Fang Quan Zheng Huai Fang Zi Di 400105 issued by People's Government of Huaiyang Country, the building ownership of the property with a total gross floor area of 39,169.88 sq.m., in which the property is located therein, has been granted to Henan Hualin Chemical Building Material Co., Ltd..

d) According to the Auction Sales Confirmation issued on 23 April 2010, the buildings and ancillary structures with a total gross floor area of 52,128 sq.m. on a site with an area of 241,334 sq.m., in which the property therein has been contracted to be sold to the Group at a consideration of RMB119,000,000.

e) We were advised that the owner of the property is an independent third party of the Group.

f) We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisor, which contains, inter alia, the following information:

   i) The lessor has acquired the State-owned Land Use Rights Certificate and Building Ownership Certificate of the property, is entitled to legally owned and lease the property.

   ii) The lease relationship between Party A and the Group remains unchanged before the Group obtains the relevant property Certificates.

   iii) The lease agreement has been registered in the relevant authorities. According to the lease agreement, the Group is entitled to use the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 31 March 2010 HKD
23.	Unit 3, 12/F, Tower 2, South Seas Centre, 75 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong	As advised by the Group, the property comprise an office unit with a total leasable area of approximately 900 sq.ft.. As advised by the Group, the property is leased at a total monthly rent of HKD18,000. The lease term is two year commencing on 1 January 2010.	The property is occupied by the Group as office.	No commercial value

Notes:

a) We have been provided the tenancy agreement of the property.

b) The register owner of the property is Wong Luan Hei.

c) We are advised that the registered owner of the property is connected party of the Group.

Set out below is a summary of certain provisions of the memorandum of association and the Articles of our Company and of certain aspects of Cayman Islands company law.

1. MEMORANDUM OF ASSOCIATION

The memorandum of association of the Company was adopted on 14 May 2010 and states, inter alia, that the liability of members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Companies Law or any other law of the Cayman Islands.

The memorandum of association of the Company is available for inspection at the address specified in Appendix VII to this prospectus.

2. ARTICLES OF ASSOCIATION

The Articles of Association of the Company were adopted on 14 May 2010 and include provisions to the following effect:

2.1 Classes of Shares

The share capital of the Company consists of ordinary shares. The authorized share capital of the Company at the date of this prospectus was HK$1,000,000,000 divided into 20,000,000,000 shares of HK$0.05 each.

2.2 Directors

(a) Power to allot and issue Shares

Subject to the provisions of the Companies Law, the memorandum of association and the Articles of the Company, the unissued shares in the Company (whether forming part of its original or any increased capital) shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration, and upon such terms, as the Directors shall determine.

Subject to the provisions of the Articles of Association and to any direction that may be given by the Company in general meeting and without prejudice to any special rights conferred on the holders of any existing shares or attaching to any class of shares, any share may be issued with or have attached thereto such preferred, deferred, qualified or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise, and to such persons at such time and for such consideration as the Directors may determine. Subject to the Companies Law and to any special rights conferred on any shareholders or attaching to any class of shares, any share may, with the sanction of a special resolution, be issued on terms that it is, or at the option of the Company or the holder thereof, liable to be redeemed.

(b) Power to dispose of the assets of the Company or any subsidiary

The management of the business of the Company shall be vested in the Directors who, in addition to the powers and authorities by the Articles of Association expressly conferred upon them, may exercise all such powers and do all such acts and things as may be exercised or done or approved by the Company and are not by the Articles of Association or the Companies Law expressly directed or required to be exercised or done by the Company in general meeting, but subject nevertheless to the provisions of the Companies Law and of the Articles of Association and to any regulation from time to time made by the Company in general meeting not being inconsistent with such provisions or the Articles of Association, provided that no regulation so made shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.

(c) Compensation or payment for loss of office

Payment to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must first be approved by the Company in general meeting.

(d) Loans to Directors

There are provisions in the Articles of Association prohibiting the making of loans to Directors and associates which are equivalent to the restrictions imposed by the Companies Ordinance.

(e) Financial assistance to purchase Shares

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries or any holding company or any subsidiary of such holding company in order that they may buy shares in the Company or any such subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

(f) Disclosure of interest in contracts with the Company or any of its subsidiaries

No Director or proposed Director shall be disqualified by his office from contracting with the Company either as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company with any person, company or partnership of or in which any Director shall be a member or otherwise interested be capable on that account of being avoided, nor shall any Director so contracting or being any member or so interested be liable to account to the Company for any profit so realized by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established, provided that such Director shall, if his interest in such contract or arrangement is material, declare the nature of his interest at the earliest meeting of the board of Directors at which it is practicable for him to do so, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may be made by the Company.

A Director shall not be entitled to vote on (nor shall he be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his associates has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

(i) the giving to such Director or any of his associates of any security or indemnity in respect of money lent or obligations incurred by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

(ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or any of his associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;

(iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or any of his associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(iv) any proposal concerning any other company in which the Director or any of his associates is/are interested only, whether directly or indirectly, as an officer, executive or shareholder or in which the Director or any of his associates is/are beneficially interested in shares of that company, provided that the Director and any of his associates, are not in aggregate beneficially interested in five per cent. or more of the issued shares of any class of such company (or of any third company through which his interest or that of any of his associates is derived) or of the voting rights;

(v) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:

(A) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his associates may benefit;

(B) the adoption, modification or operation of a pension or provident fund or retirement, death or disability benefits scheme which relates both to Directors, their associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or any of his associates as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(C) any contract or arrangement in which the Director or any of his associates is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his interest in shares or debentures or other securities of the Company.

(g) Remuneration

The Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by the Directors, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

The Directors shall also be entitled to be paid all expenses, including travel expenses, reasonably incurred by them in or about the performance of their duties as Directors including their expenses of travelling to and from board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who shall perform any special or extra services at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be agreed.

The remuneration of an executive Director or a Director appointed to any other office in the management of the Company shall from time to time be fixed by the Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including share option and/or pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration shall be in addition to such remuneration as the recipient may be entitled to receive as a Director.

(h) Retirement, appointment and removal

The Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next annual general meeting of the Company and shall then be eligible for re-election at that meeting.

The Company may by ordinary resolution remove any Director (including a Managing Director or other executive Director) before the expiration of his period of office notwithstanding anything in the Articles of Association or in any agreement between the Company and such Director (but without prejudice to any claim for compensation or damages payable to him in respect of the termination of his appointment as Director or of any other appointment or office as a result of the termination of his appointment as Director). The Company may by ordinary resolution appoint another person in his place. Any Director so appointed shall hold office during such time only as the Director in whose place he is appointed would have held the same if he had not been removed. The Company may also by ordinary resolution elect any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. No person shall, unless recommended by the Directors, be eligible for election to the office of Director at any general meeting unless, during the period, which shall be at least seven days, commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the Secretary of the Company notice in writing by a member of the Company (not being the person to be proposed) entitled to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The office of a Director shall be vacated:

(i) if he resigns his office by notice in writing to the Company at its registered office or its principal office in Hong Kong;

(ii) if an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Directors resolve that his office be vacated;

(iii) if, without leave, he is absent from meetings of the Directors (unless an alternate Director appointed by him attends) for 12 consecutive months, and the Directors resolve that his office be vacated;

(iv) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(v) if he ceases to be or is prohibited from being a Director by law or by virtue of any provision in the Articles of Association;

(vi) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) for the time being then in office; or

(vii) if he shall be removed from office by an ordinary resolution of the members of the Company under the Articles of Association.

At every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

(i) Borrowing powers

The Directors may from time to time at their discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof.

The rights of the Directors to exercise these powers may only be varied by a special resolution.

(j) Proceedings of the Board

The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit in any part of the world. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.3 Alteration to constitutional documents

No alteration or amendment to the memorandum of association or the Articles of the Company may be made except by special resolution.

2.4 Variation of rights of existing shares or classes of shares

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Companies

Law, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate meeting all the provisions of the Articles of Association relating to general meetings shall *mutatis mutandis* apply, but so that the quorum for the purposes of any such separate meeting and of any adjournment thereof shall be a person or persons together holding (or representing by proxy or duly authorized representative) at the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class.

The special rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

2.5 Alteration of Capital

The Company in general meeting may, from time to time, whether or not all the shares for the time being authorized shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by ordinary resolution, increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts as the resolution shall prescribe.

The Company may from time to time by ordinary resolution:

(a) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;

(b) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled subject to the provisions of the Companies Law; and

(c) sub-divide its shares of any of them into shares of smaller amount than is fixed by the memorandum of association of the Company, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the company has power to attach to unissued or new shares.

The Company may by special resolution reduce its share capital or any capital redemption reserve in any manner authorized and subject to any conditions prescribed by the Companies Law.

2.6 Special resolution - majority required

A "special resolution" is defined in the Articles of Association to have the meaning ascribed thereto in the Companies Law, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution approved in writing by all of the members of the Company entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, an "ordinary resolution" is defined in the Articles of Association to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

2.7 Voting rights

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy shall have one vote for each share registered in his name in the register of members of the Company.

Where any member of the Company is, under the Listing Rules, required to abstain from voting on any particular resolution or is restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

A member of the Company in respect of whom an order has been made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs may vote by any person authorized in such circumstances to do so and such person may vote by proxy.

Save as expressly provided in the Articles of Association or as otherwise determined by the Directors, no person other than a member of the Company duly registered and who shall have paid all sums for the time being due from him payable to the Company in respect of his shares shall be entitled to be present or to vote (save as proxy for another member of the Company), or to be counted in a quorum, either personally or by proxy at any general meeting.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll.

If a recognized clearing house (or its nominee) is a member of the Company it may authorize such person or persons as it thinks fit to act as its proxy(ies) or representative(s) at any general meeting of the Company or at any general meeting of any class of members of the Company provided that, if more than one person is so authorized, the authorization shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognized clearing house (or its nominee) which he represents as that recognized clearing house (or its nominee) could exercise if it were an individual member of the Company holding the number and class of shares specified in such authorization.

2.8 Annual general meetings

The Company shall in each year hold a general meeting as its annual general meeting in addition to any other general meeting in that year and shall specify the meeting as such in the notice calling it; and not more than 15 months (or such longer period as the Stock Exchange may authorize) shall elapse between the date of one annual general meeting of the Company and that of the next.

2.9 Accounts and audit

The Directors shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions and otherwise in accordance with the Companies Law.

The Directors shall from time to time determine whether, and to what extent, and at what times and places and under what conditions or regulations, the accounts and books of the Company, or any of them, shall be open to the inspection of members of the Company (other than officers of the Company) and no such member shall have any right of inspecting any accounts or books or documents of the Company except as conferred by the Companies Law or any other relevant law or regulation or as authorized by the Directors or by the Company in general meeting.

The Directors shall, commencing with the first annual general meeting, cause to be prepared and to be laid before the members of the Company at every annual general meeting a profit and loss account for the period, in the case of the first account, since the incorporation of the Company and, in any other case, since the preceding account, together with a balance sheet as at the date at which the profit and loss account is made up and a Director's report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditor's report on such accounts and such other reports and accounts as may be required by law. Copies of those documents to be laid before the members of the Company at an annual general meeting shall not less than 21 clear days before the date of the meeting, be sent in the manner in which notices may be served by the Company as provided in the Articles of Association to every member of the Company and every holder of debentures of the Company provided that the Company shall not be required to send copies of those documents to any person of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.

The Company shall at any annual general meeting appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed provided that in respect of any particular year the Company in general meeting may delegate the fixing of such remuneration to the Directors.

2.10 Notice of meetings and business to be conducted thereat

An annual general meeting and any extraordinary general meeting called for the passing of a special resolution shall be called by notice of not less than 21 clear days and any other extraordinary general meeting shall be called by not less than 14 clear days. The notice shall be inclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the time, place and agenda of the meeting, particulars of the resolutions to be considered at the meeting and, in the case of special business, the general nature of that business. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Notice of every general meeting shall be given to the auditors and all members of the Company (other than those who, under the provisions of the Articles of Association or the terms of issue of the shares they hold, are not entitled to receive such notice from the Company).

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

(a) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat or their proxies; and

(b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95 per cent. in nominal value of the shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

(a) the declaration and sanctioning of dividends;

(b) the consideration and adoption of the accounts and balance sheets and the reports of the Directors and the auditors and other documents required to be annexed to the balance sheet;

(c) the election of Directors in place of those retiring;

(d) the appointment of auditors;

(e) the fixing of, or the determining of the method of fixing of, the remuneration of the Directors and of the auditors;

(f) the granting of any mandate or authority to the Directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than 20 per cent. (or such other percentage as may from time to time be specified in the Listing Rules) in nominal value of its then existing issued share capital and the number of any securities repurchased pursuant to sub-paragraph (g) below; and

(g) the granting of any mandate or authority to the Directors to repurchase securities of the Company.

2.11 Transfer of Shares

Transfers of shares may be effected by an instrument of transfer in the usual common form or in such other form as the Directors may approve which is consistent with the standard form of transfer as prescribed by the Stock Exchange.

The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof. All instruments of transfer shall be retained by the Company.

The Directors may refuse to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

(a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be cancelled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;

(b) the instrument of transfer is in respect of only one class of shares;

(c) the instrument of transfer is properly stamped (in circumstances where stamping is required);

(d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;

(e) the shares concerned are free of any lien in favour of the Company; and

(f) a fee of such maximum as the Stock Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to the Company in respect thereof.

If the Directors refuse to register a transfer of any share they shall, within two months after the date on which the instrument of transfer was lodged with the Company, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on 14 days' notice being given by advertisement in the newspaper or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, be suspended and the register of members of the Company closed at such times for such periods as the Directors may from time to time determine, provided that the registration of transfers shall not be suspended or the register closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

2.12 Power of the Company to purchase its own Shares

The Company is empowered by the Companies Law and the Articles of Association to purchase its own shares subject to certain restrictions and the Directors may only exercise this power on behalf of the Company subject to the authority of its members in general meeting as to the manner in which they do so and to any applicable requirements imposed from time to time by the Stock Exchange and the Securities and Futures Commission of Hong Kong.

2.13 Power of any subsidiary of the Company to own Shares

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

2.14 Dividends and other methods of distributions

Subject to the Companies Law and Articles of Association, the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Directors. No dividend may be declared or paid other than out of profits and reserves of the Company lawfully available for distribution, including share premium.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may also pay half-yearly or at other intervals to be selected by them at a fixed rate if they are of the opinion that the profits available for distribution justify the payment.

The Directors may retain any dividends or other moneys payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may also deduct from any dividend or other monies payable to any member of the Company all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

No dividend shall carry interest against the Company.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to a holder of shares may be paid by cheque or warrant sent through the post addressed to the registered address of the member of the Company entitled, or in the case of joint holders, to the registered address of the person whose name stands first in the register of members of the Company in respect of the joint holding to such person and to such address as the holder or joint holders may in writing direct. Every cheque or warrant so sent shall be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register of members of the Company in respect of such shares, and shall be sent at his or their risk and the payment of any such cheque or warrant by the bank on which it is drawn shall operate as a good discharge to the Company in respect of the dividend and/or bonus represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. The Company may cease sending such cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions. However, the Company may exercise its power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Any dividend unclaimed for six years from the date of declaration of such dividend may be forfeited by the Directors and shall revert to the Company.

The Directors may, with the sanction of the members of the Company in general meeting, direct that any dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets and may determine that cash payments shall be made to any members of the Company upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.

2.15 Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. A proxy need not be a member of the Company.

Instruments of proxy shall be in common form or in such other form as the Directors may from time to time approve provided that it shall enable a member to instruct his proxy to vote in favour of or against (or in default of instructions or in the event of conflicting instructions, to exercise his discretion in respect of) each resolution to be proposed at the meeting to which the form of proxy relates. The instrument of proxy shall be deemed to confer authority to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates provided that the meeting was originally held within 12 months from such date.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney authorized in writing or if the appointor is a corporation either under its seal or under the hand of an officer, attorney or other person authorized to sign the same.

The instrument appointing a proxy and (if required by the Directors) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered at the registered office of the Company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

2.16 Calls on Shares and forfeiture of Shares

The Directors may from time to time make calls upon the members of the Company in respect of any moneys unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times and each member of the Company shall (subject to the Company serving upon him at least 14 days' notice specifying the time and place of payment) pay to the Company at the time and place so specified the amount called on his shares. A call may be revoked or postponed as the Directors may determine. A person upon whom a call is made shall remain liable on such call notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call may be made payable either in one sum or by instalments and shall be deemed to have been made at the time when the resolution of the Directors authorizing the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and instalments due in respect of such share or other moneys due in respect thereof.

If a sum called in respect of a share shall not be paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate, not exceeding 15 per cent. per annum, as the Directors may determine, but the Directors shall be at liberty to waive payment of such interest wholly or in part.

If any call or instalment of a call remains unpaid on any share after the day appointed for payment thereof, the Directors may at any time during such time as any part thereof remains unpaid serve a notice on the holder of such shares requiring payment of so much of the call or instalment as is unpaid together with any interest which may be accrued and which may still accrue up to the date of actual payment.

The notice shall name a further day (not being less than 14 days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment on or before the time and at the place appointed, the shares in respect of which such call was made or instalment is unpaid will be liable to be forfeited.

If the requirements of such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or instalments and interest due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited shares and not actually paid before the forfeiture. A forfeited share shall be deemed to be the property of the Company and may be sold, re-allotted or otherwise disposed of.

A person whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares but shall, notwithstanding the forfeiture, remain liable to pay to the Company all moneys which at the date of forfeiture were payable by him to the Company in respect of the shares, together with (if the Directors shall in their discretion so require) interest thereon at such rate not exceeding 15 per cent. per annum as the Directors may prescribe from the date of forfeiture until payment, and the Directors may enforce payment thereof without being under any obligation to make any allowance for the value of the shares forfeited, at the date of forfeiture.

2.17 Inspection of register of members

The register of members of the Company shall be kept in such manner as to show at all times the members of the Company for the time being and the shares respectively held by them. The register may, on 14 days' notice being given by advertisement in the newspapers, or subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association be closed at such times and for such periods as the Directors may from time to time determine either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

Any register of members kept in Hong Kong shall during normal business hours (subject to such reasonable restrictions as the Directors may impose) be open to inspection by any member of the Company without charge and by any other person on payment of such fee not exceeding HK$2.50 (or such higher amount as may from time to time be permitted under the Listing Rules) as the Directors may determine for each inspection.

2.18 Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment, choice or election of a chairman which shall not be treated as part of the business of the meeting.

Two members of the Company present in person or by proxy shall be a quorum provided always that if the Company has only one member of record the quorum shall be that one member present in person or by proxy.

A corporation being a member of the Company shall be deemed for the purpose of the Articles of Association to be present in person if represented by its duly authorized representative being the person appointed by resolution of the directors or other governing body of such corporation or by power of attorney to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in sub-paragraph 2.4 above.

2.19 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

2.20 Procedure on liquidation

If the Company shall be wound up, and the assets available for distribution amongst the members of the Company as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members of the Company in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively. And if in a winding up the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members of the Company in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. The foregoing is without prejudice to the rights of the holders of shares issued upon special terms and conditions.

If the Company shall be wound up, the liquidator may with the sanction of a special resolution of the Company and any other sanction required by the Companies Law, divide amongst the members of the Company in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members of the Company. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like sanction and subject to the Companies Law, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

2.21 Untraceable members

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (i) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) the Company has not during that time or before the expiry of the three month period referred to in (iv) below received any indication of the whereabouts or existence of the member; (iii) during the 12 year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (iv) upon expiry of the 12 year period, the Company has caused an advertisement to be published in the newspapers or subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

3. CAYMAN ISLANDS COMPANY LAW

3.1 Introduction

The Companies Law is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Companies Law and the current Companies Act of England. Set out below is a summary of certain provisions of the Companies Law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

3.2 Incorporation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 5 November 2009 under the Companies Law. As such, its operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorized share capital.

3.3 Share capital

The Companies Law permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premia on those shares shall be transferred to an account called the "share premium account". At the option of a company, these provisions may not apply to premia on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by a company, subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation:

(a) paying distributions or dividends to members;

(b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(c) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law);

(d) writing-off the preliminary expenses of the company;

(e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and

(f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, by special resolution reduce its share capital in any way.

Subject to the detailed provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorize the manner of purchase, a company cannot purchase any of its own shares unless the manner of purchase has first been authorized by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

3.4 Dividends and distributions

With the exception of section 34 of the Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see 3 above for further details).

3.5 Shareholders' suits

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is *ultra vires* the company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

3.6 Protection of minorities

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

3.7 Disposal of assets

The Companies Law contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

3.8 Accounting and auditing requirements

The Companies Law requires that a company shall cause to be kept proper books of account with respect to:

(a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;

(b) all sales and purchases of goods by the company; and

(c) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

3.9 Register of members

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may, from time to time, think fit. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

3.10 Inspection of books and records

Members of a company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

3.11 Special resolutions

The Companies Law provides that a resolution is a special resolution when it has been passed by a majority of not less than two-thirds (or such greater number as may be specified in the articles of association of the company) of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorized by the articles of association of the company.

3.12 Subsidiary owning shares in parent

The Companies Law does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

3.13 Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing 75 per cent. in value of shareholders or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court of the Cayman Islands is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

3.14 Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90 per cent. of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

3.15 Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

3.16 Liquidation

A company is placed in liquidation either by an order of the court or by a special resolution (or, in certain circumstances, an ordinary resolution) of its members. A liquidator is appointed whose duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

3.17 Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

3.18 Taxation

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor in Cabinet:

(a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and

(b) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:

(i) on or in respect of the shares, debentures or other obligations of the Company; or

(ii) by way of withholding in whole or in part of any relevant payment as defined in Section 6(3) of the Tax Concession Law (1999 Revision).

The undertaking is for a period of twenty years from 17 November 2009.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

3.19 Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

4. GENERAL

Maples and Calder the Company's legal advisers on Cayman Islands law, have sent to the Company a letter of advice summarizing aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to Appendix VII to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 5 November 2009.

Our Company has been registered as a non-Hong Kong company under Part XI of the Companies Ordinance and our principal place of business in Hong Kong is at Unit 3, 12th Floor, Tower 2, South Seas Centre, No. 75 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong. Mr. Ong Chi King, the authorized representative of the Company for the purposes of Part XI of the Companies Ordinance, has been appointed as our agent for the acceptance of service of process and notices in Hong Kong. The address for service of process on the Company in Hong Kong is the same as our registered place of business in Hong Kong set out above.

As our Company was incorporated in the Cayman Islands, our corporate structure, our memorandum of association and the Articles are subject to the relevant laws and regulations of the Cayman Islands. A summary of the relevant laws and regulations of the Cayman Islands and certain provisions of our memorandum of association and the Articles is set out in Appendix V to this prospectus.

2. Changes in share capital of our Company

(a) As of the date of incorporation of our Company, its authorized share capital was US$50,000 divided into 50,000 shares of US$1.00 each. On the same date, one share of US$1.00 par value was allotted and issued nil paid to the initial subscriber and transferred to New Fortune.

(b) On 10 November 2009, 49,999 shares of US$1.00 each were allotted and issued fully paid to New Fortune.

(c) On 20 November 2009, Shareholder's resolutions were passed to approve:

- the increase in the authorized share capital of the Company to the aggregate of US$50,000 and HK$1,000,000,000 by the creation of an additional 10,000,000,000 shares of HK$0.10 each;

- the issue of 4,000,000 shares of HK$0.10 each for cash at par to New Fortune;

- the repurchase by the Company of the 50,000 issued shares of US$1.00 each held by New Fortune at par out of the proceeds of issue of 4,000,000 shares of HK$0.10 each referred to above; and

- the reduction of the authorized but unissued share capital of the Company by the cancellation of 50,000 shares of US$1.00 each.

(d) On 14 May 2010, Shareholder's resolutions were passed to approve, among other things, the Capitalization Issue.

(e) On 19 May 2010, Shareholder's resolutions were passed to approve, among other things, the subdivision of each ordinary share of the Company of par value HK$0.10 in the issued and unissued but authorized share capital of the Company into two ordinary shares of HK$0.05 each.

Immediately following completion of the Global Offering and the Capitalization Issue and assuming that the Over-allotment Option is not exercised, the authorized share capital of our Company will be HK$1,000,000,000 divided into 20,000,000,000 Shares, of which 3,000,000,000 Shares will be issued fully paid or credited as fully paid, and 17,000,000,000 Shares will remain unissued. Other than pursuant to the general mandate to issue Shares referred to in the paragraph headed "Written resolutions of the sole shareholder of the Company passed on 14 May 2010" in this Appendix and pursuant to the Pre-IPO Share Option Scheme and the Share Option Scheme, we do not have any present intention to issue any of the authorized but unissued share capital of our Company and, without prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed in this prospectus, there has been no alteration in our Company's share capital since its incorporation.

3. Written resolutions of the sole shareholder of the Company passed on 14 May 2010

Pursuant to the written resolutions dated 14 May 2010 passed by the then sole shareholder of the Company, among other matters:

(a) the memorandum of association and the Articles were approved and adopted;

(b) conditional on (aa) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus; and (bb) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and the Underwriting Agreements not being terminated in accordance with their terms or otherwise:

(i) the Global Offering and the Over-allotment Option were approved and the Directors were authorized to allot and issue the Offer Shares and the Over-allotment Shares on and subject to the terms and conditions stated in this prospectus and the relevant Application Forms and the Directors were authorized to do all things and execute all documents in connection with or incidental to the Global Offering with such amendments or modifications (if any) as the Directors may consider necessary or appropriate;

(ii) the rules of the Pre-IPO Share Option Scheme were approved and adopted and the Directors were authorized to take all such actions as they consider necessary and/or desirable to implement and give effect to the Pre-IPO Share Option Scheme and to grant options to subscribe for Shares thereunder and to issue, allot and deal with Shares pursuant to the exercise of options granted thereunder;

(iii) the rules of the Share Option Scheme were approved and adopted and the Directors or any committee thereof established by the Board were authorized, at their sole discretion, to: (aa) administer the Share Option Scheme; (bb) modify/amend the Share Option Scheme from time to time as requested by the Stock Exchange; (cc) grant options to subscribe for Shares under the Share Option Scheme up to the limits referred to in the Share Option Scheme; (dd) allot, issue and deal with the Shares pursuant to the exercise of any option which may be granted under the Share Option Scheme; and (ee) take all such actions as they consider necessary, desirable or expedient to implement or give effect to the Share Option Scheme;

(iv) conditional on the share premium account of us being credited as a result of the Global Offering, the Directors were authorized to capitalize the sum of RMB175.8 million and apply such sum towards paying up in full at par 2,242,000,000 Shares for allotment and issue to New Fortune and such Shares to be allotted and issued pursuant to this resolution should rank pari passu in all respects with the then existing issued Shares and the Directors were authorized to give effect to such capitalization;

(v) a general unconditional mandate was given to the Directors to exercise all the powers of the Company to allot, issue and deal with Shares or securities convertible into Shares (including the power to make an offer or agreement, or grant securities which would or might require Shares to be allotted and issued), otherwise than by way of Rights Issue, or pursuant to any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association or pursuant to the issue of Shares upon the exercise of any subscription or conversion rights attached to any warrants or securities of the Company or pursuant to the exercise of options which may be granted under the Share Option Scheme or any other option scheme(s) or similar arrangement for the time being adopted for the grant or issue to directors and/or officers and/or employees of the Company and/or any of its subsidiaries of rights to acquire Shares or pursuant to a specific authority granted by the Shareholders in general meeting or other similar arrangements, on behalf of the Company, with an aggregate nominal amount not exceeding 20% of the aggregate nominal amount of the share capital of the Company in issue and to be issued immediately following completion of the Global Offering and the Capitalization Issue but before any exercise of the Over-allotment Option until the conclusion of the next annual general meeting of the Company, unless renewed by an ordinary resolution of the Shareholders in a general meeting, either unconditionally or subject to conditions or the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association or any applicable law of the Cayman Islands to be held or the passing of an ordinary resolution by the Shareholders in general meeting of the Company varying or revoking the authority given to the Directors, whichever occurs first;

For the purpose of this paragraph, "Rights Issue" means an offer of Shares , or offer or issue of warrants, options or other securities giving rights to subscribe for Shares open for a period fixed by the Directors to holders of Shares on the register on a fixed *record date in proportion to their holdings of Shares (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction applicable to the Company, or any recognized regulatory body or any stock exchange applicable to the Company).*

(vi) a general unconditional mandate was given to the Directors to exercise all powers of the Company to repurchase on the Stock Exchange, or on any other stock exchange on which the securities of the Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, such number of Shares with an aggregate nominal amount of not exceeding 10% of the aggregate nominal amount of our share capital in issue immediately following completion of the Global Offering and the Capitalization Issue but before the exercise of the Over-allotment Option until the conclusion of our next annual general meeting, unless renewed by an ordinary resolution of the Shareholders in a general meeting, either unconditionally or subject to conditions or the expiration of the period within which our next annual general meeting is required by the Articles of Association or any applicable law of the Cayman Islands to be held or the passing of an ordinary resolution by the Shareholders in general meeting of the Company varying or revoking the authority given to the Directors, whichever occurs first; and

(vii) the general mandate to allot, issue and deal with Shares as referred to in sub-paragraph (v) above was extended to include the aggregate nominal value of our share capital amount of Shares which may be purchased or repurchased pursuant to the repurchase mandate referred to in sub-paragraph (vi) above.

4. Reorganization

We underwent the following steps in preparation for our Listing:

(a) New Fortune was incorporated on 16 October 2009. 50,000 ordinary shares were issued to Mr. Wong on 23 October 2009.

(b) The Company was incorporated on 5 November 2009. New Fortune acquired one share of par value US$1.00 from the subscriber on 5 November 2009 and 49,999 shares of US$1.00 each were issued to New Fortune on 10 November 2009.

On 20 November 2009, the authorized share capital of the Company was increased to the aggregate of US$50,000 and HK$1,000,000,000 by the creation of an additional 10,000,000,000 shares of HK$0.10 each. On the same date, the Company issued 4,000,000 shares of HK$0.10 each to New Fortune and repurchased 50,000 shares of US$1.00 each from New Fortune, and reduced its authorized share capital by the cancellation of 50,000 shares of US$1.00 each.

(c) Pursuant to an instrument of transfer dated 11 November 2009, Mr. Wong transferred his 100% equity interest in Great China International to our Company. After such transfer, Great China International became a wholly-owned subsidiary of the Company.

(d) Pursuant to an instrument of transfer dated 11 November 2009, Mr. Wong transferred his 100% equity interest in Starcorp Investment to our Company. After such transfer, Starcorp Investment became a wholly-owned subsidiary of the Company.

(e) Pursuant to a sale and purchase agreement dated 29 October 2009, Guangdong Liansu Technology acquired the entire equity interest in Zhongshan Walton from Guangdong Liansu Electric at a consideration of RMB19,380,000.

(f) Pursuant to a sale and purchase agreement dated 8 November 2009, Guangdong Liansu Technology acquired the entire equity interest in Foshan Liansu from Foshan Xingzhan Investment Co., Ltd. (佛山市星展投資有限公司) at a consideration of RMB5,000,000.

5. Changes in share capital of subsidiaries

The subsidiaries of our Company are listed in the accountants' report set out in Appendix I to this prospectus.

In addition to the alterations described in paragraph 4 above, the following alterations in the registered capital of each of our subsidiaries took place within two years immediately preceding the date of this prospectus:

(a) The registered capital of Zhongshan Walton was increased from RMB5 million to RMB10 million on 6 July 2007 which was fully paid-up.

(b) The registered capital of Guiyang Liansu was increased from HK$28 million to HK$48 million on 29 October 2007 which was fully paid-up.

(c) The registered capital of Heshan Liansu was increased from HK$38 million to HK$88 million on 1 August 2007 which was fully paid-up.

(d) The registered capital of Guangdong Liansu Technology was increased from HK$50 million to HK$250 million on 14 November 2007 then to HK$380 million in 22 September 2009 which was fully paid-up.

(e) The registered capital of Wuhan Liansu was increased from HK$38 million to HK$58 million on 26 December 2007 which was fully paid-up.

(f) The registered capital of Guangdong Liansu Municipal Engineering was increased from HK$10 million to HK$200 million on 27 December 2007 which was fully paid-up.

(g) The registered capital of Henan Liansu was increased from RMB10 million to RMB30 million on 11 December 2008 which was fully paid-up.

(h) The registered capital of Daqing Liansu was increased from RMB6 million to RMB11 million on 17 December 2008 which was fully paid-up, and from RMB11 million to RMB68 million on 14 May 2009 with RMB48 million paid-up as of the Latest Practicable Date.

(i) The registered capital of Hebei Liansu was increased from US$10 million to US$22 million on 8 July 2009 which was fully paid-up.

(j) The registered capital of Nanjing Liansu was increased from US$10 million to US$18 million on 20 July 2009 which was fully paid-up.

6. Further information about our PRC subsidiaries

We have 15 subsidiaries in the PRC. A summary of the corporate information of these subsidiaries as of the Latest Practicable Date are set out as follows:

(a)	(i)	Name of the enterprise	:	Guangdong Liansu Technology
	(ii)	Date of incorporation	:	1 December 1999
	(iii)	Economic nature	:	Wholly foreign-owned enterprise
	(iv)	Registered owner	:	Liansu HK
	(v)	Total investment capital	:	HK$437 million
	(vi)	Registered capital	:	HK$380 million
	(vii)	Attributable interest to us	:	100%
	(viii)	Term of operation	:	From 1 December 1999 to 1 December 2014
	(ix)	Scope of business	:	Production and development of plastic pipes, metal-plastic composite pipes, plastic production machines and plastic moulds

(b)	(i)	Name of the enterprise	:	Changchun Liansu
	(ii)	Date of incorporation	:	25 October 2007
	(iii)	Economic nature	:	Equity joint venture enterprise
	(iv)	Registered owner	:	Guangdong Liansu Group (51%); Liansu HK (49%)
	(v)	Total investment capital	:	HK$444.48 million
	(vi)	Registered capital	:	HK$150 million *(Note)*
	(vii)	Attributable interest to us	:	100%
	(viii)	Term of operation	:	From 25 October 2007 to 24 October 2012
	(ix)	Scope of business	:	Production and sale of pipe products; provision of services for municipal pipeline assembly projects

Note: HK$59,821,259 of the registered capital was paid up, the remaining registered capital is expected to be paid up on or before 25 October 2010.

(c)	(i)	Name of the enterprise	:	Daqing Liansu
	(ii)	Date of incorporation	:	26 April 2005
	(iii)	Economic nature	:	Limited liability company
	(iv)	Registered owner	:	Guangdong Liansu Technology
	(v)	Total investment capital	:	N/A
	(vi)	Registered capital	:	RMB68 million
	(vii)	Attributable interest to us	:	100%
	(viii)	Term of operation	:	From 26 April 2005 to 25 April 2055
	(ix)	Scope of business	:	Production and sale of pipe products and fittings; export & import; trading
(d)	(i)	Name of the enterprise	:	Guangdong Liansu Municipal Engineering
	(ii)	Date of incorporation	:	15 July 2005
	(iii)	Economic nature	:	Equity joint venture enterprise
	(iv)	Registered owner	:	Guangdong Liansu Technology (51%); Liansu HK (49%)
	(v)	Total investment capital	:	HK$204 million
	(vi)	Registered capital	:	HK$200 million
	(vii)	Attributable interest to us	:	100%
	(viii)	Term of operation	:	From 15 July 2005 to 14 July 2018
	(ix)	Scope of business	:	Production and development of pipe products; provision of services for municipal pipeline assembly projects
(e)	(i)	Name of the enterprise	:	Guiyang Liansu
	(ii)	Date of incorporation	:	30 July 2003
	(iii)	Economic nature	:	Equity joint venture enterprise
	(iv)	Registered owner	:	Guangdong Liansu Technology (51%); Liansu HK (49%)
	(v)	Total investment capital	:	HK$52 million
	(vi)	Registered capital	:	HK$48 million
	(vii)	Attributable interest to us	:	100%
	(viii)	Term of operation	:	From 30 July 2003 to 29 July 2015
	(ix)	Scope of business	:	Production and sale of plastic pipe products and fittings, and metal-plastic pipe products; provision of after-sales services for the aforesaid products

(f)	(i)	Name of the enterprise	:	Hebei Liansu
	(ii)	Date of incorporation	:	12 October 2005
	(iii)	Economic nature	:	Equity joint venture enterprise
	(iv)	Registered owner	:	Guangdong Liansu Technology (51%); Liansu HK (49%)
	(v)	Total investment capital	:	US$22 million
	(vi)	Registered capital	:	US$22 million
	(vii)	Attributable interest to us	:	100%
	(viii)	Term of operation	:	From 12 October 2005 to 11 October 2017
	(ix)	Scope of business	:	Production and sale of pipe products and fittings; provision of technical services for municipal pipeline assembly projects

(g)	(i)	Name of the enterprise	:	Henan Liansu
	(ii)	Date of incorporation	:	25 October 2007
	(iii)	Economic nature	:	Limited liability company
	(iv)	Registered owner	:	Guangdong Liansu Technology
	(v)	Total investment capital	:	N/A
	(vi)	Registered capital	:	RMB30 million
	(vii)	Attributable interest to us	:	100%
	(viii)	Term of operation	:	From 25 October 2007 to 25 October 2012
	(ix)	Scope of business	:	Production and sale of plastic pipe products and metal-plastic composite pipe products and fittings; provision of services for municipal pipeline assembly projects; trading

(h)	(i)	Name of the enterprise	:	Heshan Liansu
	(ii)	Date of incorporation	:	21 June 2002
	(iii)	Economic nature	:	Equity joint venture enterprise
	(iv)	Registered owner	:	Guangdong Liansu Technology (51%): Liansu HK (49%)
	(v)	Total investment capital	:	HK$100 million
	(vi)	Registered capital	:	HK$88 million
	(vii)	Attributable interest to us	:	100%
	(viii)	Term of operation	:	From 21 June 2002 to 20 June 2014
	(ix)	Scope of business	:	Production and development of plastic pipes and fittings, metal-plastic composite pipes and fittings, plastic production machines and plastic moulds

(i)	(i)	Name of the enterprise	:	Nanjing Liansu
	(ii)	Date of incorporation	:	11 June 2006
	(iii)	Economic nature	:	Equity joint venture enterprise
	(iv)	Registered owner	:	Guangdong Liansu Technology (51%); Liansu HK (49%)
	(v)	Total investment capital	:	US$23 million
	(vi)	Registered capital	:	US$18 million
	(vii)	Attributable interest to us	:	100%
	(viii)	Term of operation	:	From 11 June 2006 to 7 June 2021
	(ix)	Scope of business	:	Production and sale of pipe products, metal-plastic composite pipe products and fittings

(j)	(i)	Name of the enterprise	:	Sichuan Liansu
	(ii)	Date of incorporation	:	10 July 2009
	(iii)	Economic nature	:	Limited liability company
	(iv)	Registered owner	:	Guangdong Liansu Technology
	(v)	Total investment capital	:	N/A
	(vi)	Registered capital	:	RMB30 million
	(vii)	Attributable interest to us	:	100%
	(viii)	Term of operation	:	From 10 July 2009 to 9 July 2039
	(ix)	Scope of business	:	Production and sale of plastic pipes and fittings, metal-plastic composite pipes and fittings; technical research of pipelines

(k)	(i)	Name of the enterprise	:	Urumqi Liansu
	(ii)	Date of incorporation	:	27 December 2007
	(iii)	Economic nature	:	Equity joint venture enterprise
	(iv)	Registered owner	:	Guangdong Liansu Technology (51%); Liansu HK (49%)
	(v)	Total investment capital	:	RMB300 million
	(vi)	Registered capital	:	RMB100 million
	(vii)	Attributable interest to us	:	100%
	(viii)	Term of operation	:	From 27 December 2007 to 26 December 2022
	(ix)	Scope of business	:	Production and sale of plastic pipe products and metal-plastic pipes

(l)	(i)	Name of the enterprise	:	Wuhan Liansu
	(ii)	Date of incorporation	:	22 May 2001
	(iii)	Economic nature	:	Equity joint venture enterprise
	(iv)	Registered owner	:	Guangdong Liansu Technology (51%); Liansu HK (49%)
	(v)	Total investment capital	:	HK$70 million
	(vi)	Registered capital	:	HK$58 million
	(vii)	Attributable interest to us	:	100%
	(viii)	Term of operation	:	From 22 May 2001 to 22 May 2013
	(ix)	Scope of business	:	Production and sale of plastic pipes, metal-plastic composite pipes, plastic production machines, moulds and fittings
(m)	(i)	Name of the enterprise	:	Wuhan Liansu Mold
	(ii)	Date of incorporation	:	20 December 2007
	(iii)	Economic nature	:	Limited liability company
	(iv)	Registered owner	:	Guangdong Liansu Technology
	(v)	Total investment capital	:	N/A
	(vi)	Registered capital	:	RMB10 million
	(vii)	Attributable interest to us	:	100%
	(viii)	Term of operation	:	From 20 December 2007 to 19 December 2057
	(ix)	Scope of business	:	Production and sale of plastic moulds, plastic production machines and municipal plastic pipes
(n)	(i)	Name of the enterprise	:	Zhongshan Walton
	(ii)	Date of incorporation	:	12 July 2002
	(iii)	Economic nature	:	Limited liability company
	(iv)	Registered owner	:	Guangdong Liansu Technology
	(v)	Total investment capital	:	N/A
	(vi)	Registered capital	:	RMB10 million
	(vii)	Attributable interest to us	:	100%
	(viii)	Term of operation	:	From 12 July 2002 to 3 December 2022
	(ix)	Scope of business	:	Production and sale of plastic-steel composite pipes; import and export of goods and technology
(o)	(i)	Name of the enterprise	:	Foshan Liansu
	(ii)	Date of incorporation	:	28 January 2008
	(iii)	Economic nature	:	Limited liability company
	(iv)	Registered owner	:	Guangdong Liansu Technology
	(v)	Total investment capital	:	N/A
	(vi)	Registered capital	:	RMB5 million
	(vii)	Attributable interest to us	:	100%
	(viii)	Term of operation	:	From 28 January 2008 to long term
	(ix)	Scope of business	:	Sale of plastic materials, metal fittings, metal composite pipes and fittings; import and export of goods and technology

7. Repurchase of our Shares

This paragraph includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of our own securities.

(a) Shareholders' approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company listed on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholder, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to a resolution in writing passed by the sole shareholder of the Company on 14 May 2010, the repurchase mandate (the "Repurchase Mandate") was given to the Directors authorizing any repurchase by us of Shares on the Stock Exchange or any other stock exchange on which the securities of us may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, of up to 10% of the aggregate nominal amount of the share capital of us in issue immediately following completion of the Global Offering and the Capitalization Issue but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option, such mandate to expire at the conclusion of our next annual general meeting, unless renewed by an ordinary resolution of the Shareholders in a general meeting, either unconditionally or subject to conditions or the expiration of the period within which our next annual general meeting is required by the Articles of Association or applicable Cayman Islands law to be held, or the passing of an ordinary resolution by Shareholders in general meeting revoking or varying the authority given to the Directors, whichever occurs first.

(b) Source of funds

Repurchases must be paid out of funds legally available for the purpose in accordance with the Articles of Association and the Companies Law. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Under Cayman Islands laws, any repurchases by us may be made out of our profits or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if so authorized by the Articles of Association and subject to the provisions of the Companies Law, out of capital. Any premium payable on a redemption or purchase over the par value of the Shares to be purchased must be provided for out of the profits of us or from sums standing to the credit of the share premium account of us or, if authorized by the Articles of Association and subject to the provisions of the Companies Law, out of capital.

(c) Reasons for repurchases

The Directors believe that it is in the best interest of our Company and the Shareholders for the Directors to have general authority from the Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made if the Directors believe that such repurchases will benefit our Company and the Shareholders.

(d) Funding of repurchases

In repurchasing securities, we may only apply funds legally available for such purpose in accordance with the Articles of Association, the Listing Rules and the applicable laws of the Cayman Islands.

On the basis of our current financial position as disclosed in this prospectus and taking into account our current working capital position, the Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on our working capital and/or the gearing position as compared with the position disclosed in this prospectus. However, the Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on an working capital requirements or our gearing levels which in the opinion of the Directors are from time to time appropriate for us.

The exercise in full of the Repurchase Mandate, on the basis of 3,000,000,000 Shares in issue immediately after the Listing, would result in up to 300,000,000 Shares being repurchased by us during the period in which the Repurchase Mandate remains in force.

(e) General

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any Shares to our Company or our subsidiaries.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

If, as a result of a securities repurchase, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purpose of the Hong Kong Code on Takeovers and Mergers ("Takeovers Code"). Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, the Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

The Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules).

No connected person (as defined in the Listing Rules) of our Company has notified us that he/she/it has a present intention to sell Shares to our Company, or has undertaken not to do so if the Repurchase Mandate is exercised.

FURTHER INFORMATION ABOUT OUR BUSINESS

8. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material:

(1) the sale and purchase agreement dated 23 November 2007 between Guangdong Liansu Technology as vendor and Foshan Shunde Foao Group Co., Ltd. (佛山順德市佛奧集團有限公司) as purchaser in relation to the disposal of its 90% equity interest in Foshan Fuxing Real Estate Development Co., Ltd. (佛山市富星房產有限公司) at a consideration of RMB18,000,000;

(2) the sale and purchase agreements dated 25 May 2008 among Liansu HK and Guangdong Liansu Technology as vendors, and Star Excel as purchaser in relation to the disposal of their equity interests of 49% and 51%, respectively, in Guangdong Yunan Liansu Machinery Co., Ltd. (廣東郁南聯塑機器有限公司) at a consideration of HK$6,000,000 and HK$4,571,995, respectively;

(3) the sale and purchase agreement dated 5 June 2008 between Guangdong Liansu Technology as vendor and Foshan Xingzhan Investment Co., Ltd. (佛山星展投資有限公司) as purchaser in relation to the disposal of its 51.05% equity interest in Foshan Ei Ti Plastic Chemical Co., Ltd. (佛山市依達塑膠化工有限公司) at a consideration of RMB1,940,000;

(4) the sale and purchase agreements dated 21 July 2008 among Liansu HK and Guangdong Liansu Technology as vendors, and Star Excel as purchaser in relation to the disposal of their equity interests of 49% and 51%, respectively, in Guangdong Liansu Machinery at a consideration of HK$9,800,000 and HK$10,210,000, respectively;

(5) the sale and purchase agreements dated 8 September 2008 among Liansu HK and Guangdong Liansu Technology as vendors, and Yan Sing Fu Sing Real Estate Holdings Co., Ltd. (盈信富星地產集團有限公司) as purchaser in relation to the disposal of their equity interests of 32% and 68%, respectively, in Yingxin Real Estate at a consideration of RMB6,400,000 and RMB13,600,000, respectively;

(6) the sale and purchase agreement dated 29 October 2009 between Guangdong Liansu Technology as purchaser and Guangdong Liansu Electric as vendor in relation to the acquisition of 100% equity interest in Zhongshan Walton at a consideration of RMB19,380,000;

(7) the sale and purchase agreement dated 8 November 2009 between Guangdong Liansu Technology as purchaser and Foshan Xingzhan Investment Co., Ltd. (佛山市星展投資有限公司) as vendor in relation to the acquisition of 100% equity interest in Foshan Liansu at a consideration of RMB5,000,000;

(8) the share transfer agreement dated 11 November 2009 between the Company as purchaser and Mr. Wong as vendor in relation to the transfer of 100% equity interest in each of Great China International and Starcorp Investment at a consideration of US$2;

(9) the loan facilities dated 21 December 2009 between the Company and Industrial and Commercial Bank of China (Asia) Limited in relation to an eighteen months term loan of HK$500 million;

(10) a deed of non-competition dated 14 May 2010 executed by our Controlling Shareholder in favour of our Company (for ourselves and as trustee for our subsidiaries stated therein) containing the undertakings more particularly referred to in the paragraph headed "Deed of non-competition" in the section headed "Connected Transactions and Relationship with the Controlling Shareholder";

(11) a deed of indemnity dated 14 May 2010 executed by our Controlling Shareholder in favour of our Company (for ourselves and as trustee for our subsidiaries stated therein) containing the indemnities more particularly referred to in paragraph 16 of this Appendix;

(12) an agreement dated 17 May 2010 between Henan Liansu and Hualin Bankruptcy Trustee in relation to the payment of the auction price of RMB119 million for the assets of Henan Hualin; and

(13) the Hong Kong Underwriting Agreement.

9. Our intellectual property rights

(a) Trademarks

As of 13 May 2010, we are the registered proprietor and beneficial owner of the following trademarks:

No.	Trademark	Place of registration	Class	Registration number	Duration of validity
1	和业 HeYe	PRC	17	676757	7 February 1994 - 6 February 2014
2	西溪	PRC	20	1111996	28 September 1997 - 27 September 2017
3	西溪	PRC	17	1128351	21 November 1997 - 20 November 2017

No.	Trademark	Place of registration	Class	Registration number	Duration of validity
4	西溪	PRC	19	1168084	21 April 1998 - 20 April 2018
5	SONGQI 松奇	PRC	9	1005876	14 May 1997 - 13 May 2017
6	松泽 SONGZE	PRC	9	1005990	14 May 1997 - 13 May 2017
7	SONGZE	PRC	9	1005991	14 May 1997 - 13 May 2017
8	松泽 SONG ZE	PRC	11	1085266	21 August 1997 - 20 August 2017
9	松澤	PRC	11	1103308	14 September 1997- 13 September 2017
10	松泽	PRC	17	1122273	28 October 1997 - 27 October 2017
11		PRC	11 *(Note 1)*	1251507	28 February 1999 - 27 February 2019
12	雅居	PRC	9 *(Note 2)*	1387491	21 April 2000 - 20 April 2010*
13	爱美	PRC	9	1387492	21 April 2000 - 20 April 2010*
14	联塑	PRC	7	891537	28 October 1996 - 27 October 2016

* *Applications for renewal have been made and the respective trademarks are pending renewal.*

No.	Trademark	Place of registration	Class	Registration number	Duration of validity
15	联 塑	PRC	11	894386	7 November 1996 - 6 November 2016
16	联 塑	PRC	17	1126440	14 November 1997 - 13 November 2017
17	联 塑	PRC	9	1127253	14 November 1997 - 13 November 2017
18	西 塑	PRC	20	1148275	7 February 1998 - 6 February 2018
19	联 塑	PRC	20	1148269	7 February 1998 - 6 February 2018
20	联塑 L & S	PRC	20 *(Note 3)*	1164016	7 April 1998 - 6 April 2018
21	联塑 L & S	PRC	7	1165446	7 April 1998 - 6 April 2018
22	联塑 L & S	PRC	17	1166208	14 April 1998 - 13 April 2018
23	联塑 L & S	PRC	11	1251506	28 February 1999 - 27 February 2019
24	依达·联塑	PRC	20	1258407	28 March 1999 - 27 March 2019
25	L & S	PRC	9	1266345	21 April 1999 - 20 April 2019
26	联塑 L & S	PRC	6 *(Note 4)*	1266655	21 April 1999 - 20 April 2019

No.	Trademark	Place of registration	Class	Registration number	Duration of validity
27	依达·联塑	PRC	17 *(Note 5)*	1270064	7 May 1999 - 6 May 2019
28	联塑 L & S	PRC	20	1282864	14 June 1999 - 13 June 2019
29	L & S	PRC	7 *(Note 6)*	1289354	28 June 1999 - 27 June 2019
30	连 塑	PRC	17	1297504	28 July 1999 - 27 July 2019
31	LIANSU	PRC	17	1297505	28 July 1999 - 27 July 2019
32	L & S	PRC	17	1297506	28 July 1999 - 27 July 2019
33	联 塑	PRC	17	1297507	28 July 1999 - 27 July 2019
34		PRC	11	1299112	28 July 1999 - 27 July 2019
35	联 塑	PRC	11	1299124	28 July 1999 - 27 July 2019
36		PRC	17	1300007	7 August 1999 - 6 August 2019
37	L & S	PRC	20	1302883	14 August 1999 - 13 August 2019
38	连 塑	PRC	20	1302884	14 August 1999 - 13 August 2019
39	LIANSU	PRC	20	1302897	14 August 1999 - 13 August 2019
40	L & S	PRC	7	1304322	14 August 1999 - 13 August 2019

No.	Trademark	Place of registration	Class	Registration number	Duration of validity
41	L & S	PRC	11	1304639	14 August 1999 - 13 August 2019
42	联塑	PRC	19 *(Note 7)*	1305333	21 August 1999 - 20 August 2019
43	联塑	PRC	20	1305390	21 August 1999 - 20 August 2019
44		PRC	20	1305391	21 August 1999 - 20 August 2019
45	联塑	PRC	7	1307018	21 August 1999 - 20 August 2019
46		PRC	7	1307020	21 August 1999 - 20 August 2019
47	联塑	PRC	9	1311209	7 September 1999 - 6 September 2019
48		PRC	9	1311210	7 September 1999 - 6 September 2019
49	LIANSU	PRC	7	1316622	21 September 1999 - 20 September 2019
50	L & S	PRC	9	1311260	7 September 1999 - 6 September 2019
51	L & S	PRC	19	1327848	28 October 1999 - 27 October 2019
52	LIANSU	PRC	19	1327849	28 October 1999 - 27 October 2019
53	连塑	PRC	19	1330318	7 November 1999 - 6 November 2019
54	连塑	PRC	19	1367818	28 February 2000 - 27 February 2020
55	依之	PRC	19	1367819	28 February 2000 - 27 February 2010*

* *Applications for renewal have been made and the respective trademarks are pending renewal.*

No.	Trademark	Place of registration	Class	Registration number	Duration of validity
56	联塑 L & S	PRC	19	1373207	14 March 2000 - 13 March 2020
57		PRC	19	1373235	14 March 2000 - 13 March 2010*
58	联塑 L & S	PRC	11	1388519	21 April 2000 - 20 April 2010*
59		PRC	11	1388520	21 April 2000 - 20 April 2010*
60	松泽	PRC	20	1158102	14 March 1998 - 13 March 2018
61	联塑 L & S	PRC	2	1652888	21 October 2001 - 20 October 2011
62	联塑 L & S	PRC	16 *(Note 8)*	1656786	28 October 2001 - 27 October 2011
63	DRESSBOM	PRC	7	1661696	7 November 2001 - 6 November 2011
64	德 莱 斯 宝	PRC	7	1661695	7 November 2001 - 6 November 2011
65	联塑	PRC	6	1661510	7 November 2001 - 6 November 2011
66	联塑 L & S	PRC	9	1662387	7 November 2001 - 6 November 2011
67	联塑 L & S	PRC	1 *(Note 9)*	1656145	28 October 2001 - 27 October 2011

* *Applications for renewal have been made and the respective trademarks are pending renewal.*

No.	Trademark	Place of registration	Class	Registration number	Duration of validity
68	联塑 L & S	PRC	19	1664661	14 November 2001 - 13 November 2011
69	联塑 L & S	PRC	20	1673011	28 November 2001 - 27 November 2011
70	DRESSBOM 德萊斯堡	PRC	6	1772089	21 May 2002 - 20 May 2012
71	DRESSBOM 德萊斯堡	PRC	9	1787910	14 June 2002 - 13 June 2012
72	DRESSBOM 德萊斯堡	PRC	17	1816468	28 July 2002 - 27 July 2012
73	DRESSBOM 德萊斯堡	PRC	20	1811225	21 July 2002 - 20 July 2012
74	DRESSBOM 德萊斯堡	PRC	7	1912163	21 October 2002 - 20 October 2012
75	DRESSBOM 德萊斯堡	PRC	11	1920259	28 January 2003 - 27 January 2013
76	联塑 L & S	PRC	42 *(Note 10)*	3075656	14 May 2003 - 13 May 2013
77	联塑 L & S	PRC	39	3075658	14 May 2003 - 13 May 2013
78	联塑 L & S	PRC	36 *(Note 11)*	3075654	7 June 2003 - 6 June 2013
79	联塑 L & S	PRC	35 *(Note 12)*	3075657	21 May 2003 - 20 May 2013
80	联塑 L & S	PRC	40 *(Note 13)*	3075655	21 May 2003 - 20 May 2013

No.	Trademark	Place of registration	Class	Registration number	Duration of validity
81	联塑 L & S	PRC	37 *(Note 14)*	3075660	7 June 2003 - 6 June 2013
82	联塑 L & S	PRC	8 *(Note 15)*	1709890	7 February 2002 - 6 February 2012
83	联塑 L & S	PRC	21	1684787	21 December 2001 - 20 December 2011
84	联塑 L & S	PRC	6	1388297	21 April 2000 - 20 April 2020
85	联塑 L & S	PRC	4 *(Note 16)*	1688233	28 December 2001 - 27 December 2011
86	联塑 L & S	PRC	11	1681960	14 December 2001 - 13 December 2011
87	联塑 L & S	PRC	7	1677775	7 December 2001 - 6 December 2011
88		PRC	6	1388298	21 April 2000 - 20 April 2010*
89		PRC	35	4880486	14 February 2009 - 13 February 2019
90		PRC	19	4880484	7 March 2009 - 6 March 2019

* *Applications for renewal have been made and the respective trademarks are pending renewal.*

No.	Trademark	Place of registration	Class	Registration number	Duration of validity
91		PRC	20	4880485	28 January 2009 - 27 January 2019
92		PRC	17	4880483	7 March 2009 - 6 March 2019
93	联塑 L & S	PRC	22 *(Note 17)*	4880482	28 April 2009 - 27 April 2019
94	L&S联塑	PRC	17	4880474	7 March 2009 - 6 March 2019
95	L&S联塑	PRC	20	4880477	7 March 2009 - 6 March 2019
96	L&S联塑	PRC	19	4880476	7 March 2009 - 6 March 2019
97	LIANSU	PRC	7	4880481	28 August 2008 - 27 August 2018
98	LIANSU	PRC	19	4880479	7 March 2009 - 6 March 2019
99	LIANSU	PRC	20	4880480	7 April 2009 - 6 April 2019
100	LIANSU	PRC	17	4880478	7 March 2009 - 6 March 2019
101		PRC	17	1392667	7 May 2000 - 6 May 2010*
102	瑞华	PRC	17	1392668	7 May 2000 - 6 May 2010*
103	RIHUA	PRC	17	1392669	7 May 2000 - 6 May 2010*

* *Applications for renewal have been made and the respective trademarks are pending renewal.*

No.	Trademark	Place of registration	Class	Registration number	Duration of validity
104	瑞华	PRC	20	1401791	28 May 2000 - 27 May 2010*
105	RIHUA	PRC	20	1401792	28 May 2000 - 27 May 2010*
106		PRC	20	1410766	21 June 2000 - 20 June 2010*
107	RIHUA	PRC	19	1413646	28 June 2000 - 27 June 2010*
108		PRC	19	1419690	14 July 2000 - 13 July 2010*
109	瑞华	PRC	37	3118740	21 September 2003 - 20 September 2013
110		PRC	11	3118741	28 July 2003 - 27 July 2013
111		PRC	20	3118742	28 June 2004 - 27 June 2014
112		PRC	19	3118743	28 May 2003 - 27 May 2013
113	瑞华	PRC	11	3118744	21 March 2004 - 20 March 2014
114	瑞华	PRC	17	3118745	21 June 2003 - 20 June 2013
115	RIHUA	PRC	19	3118747	28 May 2003 - 27 May 2013

* *Applications for renewal have been made and the respective trademarks are pending renewal.*

No.	Trademark	Place of registration	Class	Registration number	Duration of validity
116	RIHUA	PRC	17	3118748	21 April 2004 - 20 April 2014
117	RIHUA	PRC	11	3118749	21 March 2004 - 20 March 2014
118	瑞华	PRC	39 *(Note 18)*	3118756	14 June 2003 - 13 June 2013
119	瑞华	PRC	9	3118757	21 October 2004 - 20 October 2014
120	瑞华	PRC	6	3118758	28 January 2004 - 27 January 2014
121	瑞华	PRC	1	3118759	21 February 2004 - 20 February 2014
122	WALTON	PRC	6	1209256	21 September 1998 - 20 September 2018
123	WALTON	PRC	6	1418254	7 July 2000 - 6 July 2010*
124	WALTON	PRC	6	1535315	7 March 2001 - 6 March 2011
125		PRC	6	4842472	14 August 2008 - 13 August 2018
126	WALTON	PRC	6	4842473	14 August 2008 - 13 August 2018
127	瑞华	PRC	33	5028839	21 August 2009 - 20 August 2019

* *Applications for renewal have been made and the respective trademarks are pending renewal.*

No.	Trademark	Place of registration	Class	Registration number	Duration of validity
128	联塑 L & S	Hong Kong	7,17,19	300480438	19 August 2005 - 19 August 2015
129	LIANSU	Hong Kong	7,17,19	300480429	19 August 2005 - 19 August 2015
130	联塑 L & S	Macau	7	Z/022759	9 October 2006 - 9 October 2013
131	联塑 L & S	Macau	17	Z/022760	9 October 2006 - 9 October 2013
132	联塑 L & S	Macau	19	Z/022761	9 October 2006 - 9 October 2013
133	LIANSU	Macau	7	Z/022762	9 October 2006 - 9 October 2013
134	LIANSU	Macau	17	Z/022763	9 October 2006 - 9 October 2013
135	LIANSU	Macau	19	Z/022764	9 October 2006 - 9 October 2013
136	联塑 L & S	Kingdom of Cambodia	7	24961/06	19 September 2005 - 19 September 2015
137	联塑 L & S	Kingdom of Cambodia	17	24962/06	19 September 2005 - 19 September 2015
138	联塑 L & S	Kingdom of Cambodia	19	24963/06	19 September 2005 - 19 September 2015
139	LIANSU	Kingdom of Cambodia	7	24964/06	19 September 2005 - 19 September 2015
140	LIANSU	Kingdom of Cambodia	17	24965/06	19 September 2005 - 19 September 2015
141	LIANSU	Kingdom of Cambodia	19	24966/06	19 September 2005 - 19 September 2015

No.	Trademark	Place of registration	Class	Registration number	Duration of validity
142	联塑 L & S	Korea	7	40-0681862	16 October 2006 - 15 October 2016
143	联塑 L & S	Korea	17	40-0666100	13 June 2006 - 13 June 2016
144	联塑 L & S	Korea	19	40-0664501	30 May 2006 - 30 May 2016
145	LIANSU	Korea	7	40-0681863	16 October 2006 - 16 October 2016
146	LIANSU	Korea	17	40-0666101	13 June 2006 - 13 June 2016
147	LIANSU	Korea	19	40-0664502	30 May 2006 - 30 May 2016
148	联塑 L & S	Russia	7,17,19	320655	1 September 2005 - 1 September 2015
149	LIANSU	Russia	7,17,19	325178	1 September 2005 - 1 September 2015
150	联塑 L & S	European Union	17,19	004612561	12 April 2007 - 12 April 2012
151	LIANSU	European Union	7,17,19	004612578	18 September 2006 - 30 August 2015
152	联塑 L & S	Canada	7,9,11,17, 19,20,35	TMA716,841	18 June 2008 - 18 June 2023
153	LIANSU	Canada	7,9,11,17, 19,20,35	TMA716,845	18 June 2008 - 18 June 2023
154	联塑 L & S	Vietnam	7,9,11, 17,19,20	875735	25 November 2005 - 25 November 2015
155	LIANSU	Vietnam	7,19,20	125563	25 April 2007 - 25 April 2017

No.	Trademark	Place of registration	Class	Registration number	Duration of validity
156	联塑 L&S	Vietnam	35	36432	10 November 1999 - 10 November 2009
157	LIANSU	India	7	1416134	24 January 2006 - 24 January 2016
158	LIANSU	India	19	1416135	24 January 2006 - 24 January 2016
159	联塑 L&S	Indonesia	7	IDM000135949	26 January 2006 - 26 January 2016
160	LIANSU	Indonesia	7	IDM000135952	26 January 2006 - 26 January 2016
161	联塑 L&S	Malaysia	7	06001209	25 January 2006 - 25 January 2016
162	联塑 L&S	Malaysia	19	06001210	25 January 2006 - 25 January 2016
163	LIANSU	Malaysia	7	06001211	25 January 2006 - 25 January 2016
164	LIANSU	Malaysia	19	06001212	25 January 2006 - 25 January 2016
165	联塑 L&S	Brunei	7,19	37668	27 February 2006 - 27 February 2016
166	LIANSU	Brunei	7,19	37669	27 February 2006 - 27 February 2016
167	联塑 L&S	The United Arab Emirates	7	80882	29 January 2006 - 29 January 2016
168	联塑 L&S	The United Arab Emirates	19	80881	29 January 2006 - 29 January 2016
169	LIANSU	The United Arab Emirates	7	80880	29 January 2006 - 29 January 2016

No.	Trademark	Place of registration	Class	Registration number	Duration of validity
170	LIANSU	The United Arab Emirates	19	80879	29 January 2006 - 29 January 2016
171	联塑 L & S	Mauritius	7,19	03407/2007	15 February 2006- 15 February 2016
172	LIANSU	Mauritius	7,19	03728/2007	15 February 2006- 15 February 2016
173	联塑 L & S	Brazil	19	828122040	26 February 2008 - 26 February 2018
174	LIANSU	Brazil	7	828122067	26 February 2008 - 26 February 2018
175	LIANSU	Brazil	19	828188083	26 February 2008 - 26 February 2018
176	LIANSU	Chile	19	764.117	4 August 2006 - 4 August 2016
177	联塑	Germany	7	Nr.30667963	7 November 2006 - 30 November 2016
178	联塑	European Union	7,17,19	005662168	2 February 2007 - 2 February 2017

As of 13 May 2010, we had applied for registration of the following trademarks, the registration of each of which has not yet been granted:

No.	Trademark	Place of application	Class	Date of application	Application number
1	联塑 L & S	PRC	6	18 October 2007	6327286
2	联塑 L & S	PRC	27	15 April 2008	6659037
3	依达	PRC	1	27 May 2008	6747227

No.	Trademark	Place of application	Class	Date of application	Application number
4	依 达	PRC	17	27 May 2008	6747229
5		PRC	1	27 May 2008	6747226
6		PRC	17	27 May 2008	6747228
7	LIANSU	PRC	6	31 May 2009	7434145
8	LIANSU	PRC	9	12 June 2009	7464594
9	LIANSU	PRC	11	31 May 2009	7434175
10	LIANSU	PRC	37	31 May 2009	7434188
11	联塑 L & S	PRC	7	12 June 2009	7464596
12	联塑 L & S	PRC	9	12 June 2009	7464595
13	联塑 L & S	PRC	11	31 May 2009	7434201
14		PRC	17	23 November 2007	6396142
15		PRC	19	23 November 2007	6396143
16	联 塑 节 水	PRC	17	23 November 2007	6396144
17	联 塑 节 水	PRC	19	23 November 2007	6396145

No.	Trademark	Place of application	Class	Date of application	Application number
18	联塑	PRC	6	21 July 2009	7559851
19	联塑	PRC	7	27 July 2009	7571195
20	联塑	PRC	9	27 July 2009	7571194
21	联塑	PRC	11	21 July 2009	7559857
22	耿塑	Hong Kong	7,17,19, 20	10 December 2009	301495495
23	联朔	Hong Kong	7,17,19, 20	10 December 2009	301495503
24	联塱	Hong Kong	7,17,19, 20	10 December 2009	301495512
25	朕塑	Hong Kong	7,19,20	10 December 2009	301495521
26	朕朔	Hong Kong	7,17,19, 20	10 December 2009	301495530
27	连塑	Hong Kong	7,17,19, 20	10 December 2009	301495549
28	联塑 L & S	Hong Kong	7,17,19	13 May 2010	301612881
29	联塑 L & S	Philippines	7,19	23 February 2009	04-2009-001943
30	LIANSU	Philippines	7,19	23 February 2009	04-2009-001942
31	联塑 L & S	Chile	7	26 January 2006	718.382
32	联塑 L & S	Chile	19	26 January 2006	718.381
33	LIANSU	Chile	7	26 January 2006	718.384

No.	Trademark	Place of application	Class	Date of application	Application number
34	联塑 L & S	Sri Lanka	7	16 January 2005	130075
35	联塑 L & S	Sri Lanka	19	16 January 2005	130076
36	LIANSU	Sri Lanka	7	16 January 2005	130078
37	LIANSU	Sri Lanka	19	16 January 2005	130077
38	联塑 L & S	India	7	24 January 2006	1416132
39	联塑 L & S	India	19	24 January 2006	1416133
40	联塑 L & S	South Africa	7	25 August 2005	2005/17572
41	联塑 L & S	South Africa	17	25 August 2005	2005/17573
42	联塑 L & S	South Africa	19	25 August 2005	2005/17574
43	LIANSU	South Africa	7	25 August 2005	2005/17575
44	LIANSU	South Africa	17	25 August 2005	2005/17576
45	LIANSU	South Africa	19	25 August 2005	2005/17577

Notes:

1. The specific products under class 11 in respect of which the trademark was applied for registration are apparatus for lighting, heating, steam generating, cooking, refrigerating, drying, ventilating, water supply and sanitary purposes.

2. The specific products under class 9 in respect of which the trademark was applied for registration are scientific, nautical, surveying, photographic, cinematographic, optical, weighing, measuring, signaling, checking (supervision), life-saving and teaching apparatus and instruments, apparatus and instruments for conducting, switching, transforming, accumulating, regulating or controlling electricity; apparatus for recording, transmission or reproduction of sound or images; magnetic data carriers, recording discs; automatic vending machines and mechanisms for coin-operated apparatus; cash registers, calculating machines, data processing equipment and computers; fire-extinguishing apparatus.

3. The specific products under class 20 in respect of which the trademark was applied for registration are furniture, mirrors, picture frames; goods (not included in other classes) of wood, cork, reed, cane, wicker, horn, bone, ivory, whalebone, shell, amber, mother-of-pearl, meerschaum and substitutes for all these materials, or of plastics.

4. The specific products under class 6 in respect of which the trademark was applied for registration are common metals and their alloys, metal building materials; transportable buildings of metal; materials of metal for railway tracks; non-electric cables and wires of common metal; ironmongery, small items of metal hardware; pipes and tubes of metal; safes; goods of common metal not included in other classes; ores.

5. The specific products under class 17 in respect of which the trademark was applied for registration are rubber, gutta-percha, gum, asbestos, mica and goods made from these materials and not included in other classes; plastic in extruded form for use in manufacture; packing, stopping and insulting materials; flexible pipes, not of metal.

6. The specific products under class 7 in respect of which the trademark was applied for registration are machines and machine tools; motors and engines (except for land vehicles); machine coupling and transmission components (except for land vehicles); agricultural implements other than hand-operated; incubators for eggs.

7. The specific products under class 19 in respect of which the trademark was applied for registration are building materials (non-metallic); non-metallic rigid pipes for building; asphalt, pitch and bitumen; non-metallic transportable buildings; monuments, not of metal.

8. The specific products under class 16 in respect of which the trademark was applied for registration are paper, cardboard and goods made from these materials, not included in other classes; printed matter; bookbinding material; photographs; stationery; adhesives for stationery or household purposes; artist's materials; paint brushes; typewriters and office requisites (except furniture); instructional and teaching material (except apparatus); plastic materials for packaging (not included in other classes); printers' type; printing blocks.

9. The specific products under class 1 in respect of which the trademark was applied for registration are chemicals used in industry, science and photography, as well as in agriculture, horticulture and forestry; unprocessed artificial resins, unprocessed plastics; manures; fire extinguishing compositions; tempering and soldering preparations; chemical substances for preserving foodstuffs; tanning substances; adhesives used in industry.

10. The specific services under class 42 in respect of which the trademark was applied for registration are scientific and technological services and research and design relating thereto; industrial analysis and research services; design and development of computer hardware and software.

11. The specific services under class 36 in respect of which the trademark was applied for registration are insurance; financial affairs; monetary affairs; real estate affairs.

12. The specific services under class 35 in respect of which the trademark was registered and/or applied for registration are advertising; business management; business administration; office functions.

13. The specific services under class 40 in respect of which the trademark was applied for registration are treatment of materials.

14. The specific services under class 37 in respect of which the trademark was applied for registration are building construction; repair; installation services.

15. The specific products under class 8 in respect of which the trademark was applied for registration are hand tools and implements (hand-operated); cutlery; side arms; razors.

16. The specific products under class 4 in respect of which the trademark was applied for registration are industrial oils and greases; lubricants; dust absorbing, wetting and binding compositions; fuels (including motor spirit) and illuminants; candles and wicks for lighting.

17. The specific products under class 22 in respect of which the trademark was applied for registration are ropes, string, nets, tents, awnings, tarpaulins, sails, sacks and bags (not included in other classes); padding and stuffing materials (except of rubber or plastics); raw fibrous textile materials.

18. The specific services under class 39 in respect of which the trademark was applied for registration are transport; packaging and storage of goods; travel arrangement.

(b) Patents

As of 13 May 2010, we are the registered proprietor and beneficial owner of the following patents:

No.	Title of patent	Place of registration	Patent number	Duration of validity
1	Switch Decoration Frame (86)	PRC	ZL02364896.1	15 November 2002 - 14 November 2012
2	Switch Decoration Frame (120)	PRC	ZL02364894.5	15 November 2002 - 14 November 2012
3	Equipment for producing winding tube	PRC	Zl200420047400.X	24 June 2004 - 23 June 2014
4	Twisted corrugated pipe	PRC	ZL200420083265.4	24 August 2004 - 23 August 2014
5	Reinforced twisted pipe	PRC	ZL200420083260.1	24 August 2004 - 23 August 2014
6	Connecting thread forming device for winding pipe	PRC	ZL200420083266.9	24 August 2004 - 23 August 2014
7	Pipe connecting and sealing device	PRC	ZL200420047376.X	23 June 2004 - 22 June 2014
8	Production facility for twining pipe	PRC	ZL200410027772.0	24 June 2004 - 23 June 2024
9	Jointing method for winding pipe	PRC	ZL200410051205.9	24 August 2004 - 23 August 2024
10	Flaring method for solid wall pipeline	PRC	ZL200410051204.4	24 August 2004 - 23 August 2024
11	Preparation method for epoxy unsaturated higher fatty acid compound zinc soap	PRC	ZL200410051729.8	8 October 2004 - 7 October 2024
12	Device for repairing damaged pipe line	PRC	ZL200420095093.2	12 November 2004 - 11 November 2014
13	A method for preparing organic rare earth compounds	PRC	ZL200410027558.5	11 June 2004 - 10 June 2024
14	Damaged pipeline repairing apparatus and method thereof	PRC	ZL200410052175.3	12 November 2004 - 11 November 2024

No.	Title of patent	Place of registration	Patent number	Duration of validity
15	Double-walled spiral pipe production apparatus and production method thereof	PRC	ZL200510033354.7	2 March 2005 - 1 March 2025
16	Double-wall spiral tube producing equipment	PRC	ZL200520055175.9	2 March 2005 - 1 March 2015
17	Double-wall spiral tube	PRC	ZL200520055174.4	2 March 2005 - 1 March 2015
18	Epoxy-zinc soap compound as heat stabilizer for polyvinyl chloride plastic formula	PRC	ZL200510036969.5	2 September 2005 - 1 September 2025
19	Mould used for producing smooth surface plastic wood	PRC	ZL200520065613.X	12 October 2005 - 11 October 2015
20	Foamed composite PVC plastic-wood material	PRC	ZL200510100235.9	12 October 2005 - 11 October 2025
21	Bamboo/plastic surface crusting composite material and preparation method thereof	PRC	ZL200610035371.9	8 May 2006 - 7 May 2026
22	Connection pipeline	PRC	ZL200620058996.2	16 May 2006 - 15 May 2016
23	Y-shaped pipe flexible enlarging collar seal	PRC	ZL200620058995.8	16 May 2006 - 15 May 2016
24	Bridging blanking agitating device	PRC	ZL200620059076.2	18 May 2006 - 17 May 2016
25	Apparatus and method for shaping plastic-wood material with wood grain	PRC	ZL200610035509.5	18 May 2006 - 17 May 2026
26	Water pipe leaking auto closing apparatus	PRC	ZL200620058520.9	30 April 2006 - 29 April 2016
27	Low-toxicity solvent adhesive for bonding of rigid PVC plastic pipeline system	PRC	ZL200610035322.5	30 April 2006 - 29 April 2026
28	Chucking type crossover sub for combustion gas pipe network	PRC	ZL200620058522.8	30 April 2006 - 29 April 2016

No.	Title of patent	Place of registration	Patent number	Duration of validity
29	Pipe with steps	PRC	ZL200610035319.3	30 April 2006 - 29 April 2026
30	Pipe with steps and its application in manhole	PRC	ZL200610035317.4	30 April 2006 - 29 April 2026
31	Manhole with steps	PRC	ZL200610035318.9	30 April 2006 - 29 April 2026
32	Label (sealant)	PRC	ZL200630060826.3	12 May 2006 - 11 May 2016
33	Pipes with pedals	PRC	ZL200630062355.X	31 May 2006 - 30 May 2016
34	Pipes	PRC	ZL200630070139.X	23 August 2006 - 22 August 2016
35	Bottom valve	PRC	ZL200620062748.5	9 August 2006 - 8 August 2016
36	No-return valve	PRC	ZL200620062749.X	9 August 2006 - 8 August 2016
37	Plastic pipe and diversion method thereof	PRC	ZL200610037300.2	25 August 2006 - 24 August 2026
38	Plastic fine tube material cutter	PRC	ZL200620063221.4	22 August 2006 - 21 August 2016
39	Steel band reinforced polyethylene spiral ripple pipe and connection fitting and connection method thereof	PRC	ZL200710028297.2	29 May 2007 - 28 May 2027
40	High damping polyvinyl chloride material and method for preparing pipe	PRC	ZL200710028920.4	29 June 2007 - 28 June 2027
41	Pipeline capable of being connected by thermal contraction mode	PRC	ZL200420019714.9	19 January 2004 - 18 January 2014
42	Device for manufacturing double-walled winding pipe	PRC	ZL200320122901.5	26 December 2003 - 25 December 2013

No.	Title of patent	Place of registration	Patent number	Duration of validity
43	Thermal shrinkage sheet connecting structure for connecting sewer pipe	PRC	ZL03252615.6	4 September 2003 - 3 September 2013
44	PVC wood-plastic composite door-window section bar	PRC	ZL200720061418.9	14 December 2007 - 13 December 2017
45	Movable partition plate type industrial wire groove	PRC	ZL200820043661.2	31 January 2008 - 30 January 2018
46	Internal screening type wiring duct	PRC	ZL200820043667.X	31 January 2008 - 30 January 2018
47	Winding and cutting device	PRC	ZL200820043668.4	31 January 2008 - 30 January 2018
48	Winding and cutting device for external surface of tube	PRC	ZL200820043669.9	31 January 2008 - 30 January 2018
49	Valve flap structure of check valve	PRC	ZL200820045270.4	24 March 2008 - 23 March 2018
50	Pipe clamp structure	PRC	ZL200820045274.2	24 March 2008 - 23 March 2018
51	Support used for pipe installation	PRC	ZL200820046625.1	18 April 2008 - 17 April 2018
52	Electrician sleeve pipe accessory	PRC	ZL200820046622.8	18 April 2008 - 17 April 2018
53	Elbow with lid	PRC	ZL200820046624.7	18 April 2008 - 17 April 2018
54	Underground connector for earth source heat pump air conditioner	PRC	ZL200820046623.2	18 April 2008 - 17 April 2018
55	Anticorrosion fluid metering apparatus	PRC	ZL200820047345.2	6 May 2008 - 5 May 2018
56	Double-wall corrugated pipe	PRC	ZL200820047935.5	20 May 2008 - 19 May 2018
57	Switch bottom box	PRC	ZL200820048687.6	3 June 2008 - 2 June 2018
58	Switch bottom box	PRC	ZL200820048685.7	3 June 2008 - 2 June 2018

No.	Title of patent	Place of registration	Patent number	Duration of validity
59	Connecting sheet used for switch and socket box	PRC	ZL200820051077.1	22 July 2008 - 21 July 2018
60	Anti-leakage water separator	PRC	ZL200820051276.2	25 July 2008 - 24 July 2018
61	PB water diversion pipe	PRC	ZL200820051270.5	25 July 2008 - 24 July 2018
62	Pollution discharge conduit system for multi-storey building	PRC	ZL200820051274.3	25 July 2008 - 24 July 2018
63	HDPE hollow wall winding tube external surface heat treating equipment	PRC	ZL200820051267.3	25 July 2008 - 24 July 2018
64	HDPE hollow wall winding tube internal surface heat treating equipment	PRC	ZL200820051268.8	25 July 2008 - 24 July 2018
65	Sealing ring	PRC	ZL200820200099.X	5 September 2008 - 4 September 2018
66	Through-wall pipe system	PRC	ZL200820200097.0	5 September 2008 - 4 September 2018
67	Universal elbow	PRC	ZL200820051079.0	22 July 2008 - 21 July 2018
68	Easily mounted anti-leakage water diversion equipment	PRC	ZL200820051272.4	25 July 2008 - 24 July 2018
69	Large caliber binding pipe	PRC	ZL200820051078.6	22 July 2008 - 21 July 2018
70	Tight connection steel pipe of lining plastic	PRC	ZL200820200098.5	5 September 2008 - 4 September 2018
71	Check valve and its rocker	PRC	ZL200820200096.6	5 September 2008 - 4 September 2018
72	Plastic pipe joint	PRC	ZL200820202546.5	28 October 2008 - 27 October 2018
73	Plastic pipe joint	PRC	ZL200820202547.X	28 October 2008 - 27 October 2018

No.	Title of patent	Place of registration	Patent number	Duration of validity
74	Plastic pipe joint	PRC	ZL200820202548.4	28 October 2008 - 27 October 2018
75	Novel multifunction pipe clip	PRC	ZL200820202545.0	28 October 2008 - 27 October 2018
76	Flange connecting pipe fitting	PRC	ZL200820202549.9	28 October 2008 - 27 October 2018
77	Production process of plastic-wood foam material	PRC	ZL200510100237.8	12 October 2005 - 11 October 2025
78	Water diversion fittings for connecting reservoir and household water pipe	PRC	ZL200610037354.9	29 August 2006 - 28 August 2026
79	Irrigation water pipe system	PRC	ZL200820202544.6	28 October 2008 - 27 October 2018
80	Improved valve structure for plumbing	PRC	ZL200820203178.6	11 November 2008 - 10 November 2018
81	Sluice valve with enhanced sealing structure	PRC	ZL200820203174.8	11 November 2008 - 10 November 2018
82	Cooling device for tube extrusion	PRC	ZL200820205967.3	24 December 2008 - 23 December 2018
83	Cutter tool-setting mould	PRC	ZL200820202543.1	28 October 2008 - 27 October 2018
84	Switch box	PRC	ZL200820203177.1	11 November 2008 - 10 November 2018
85	Pipe pliers for pipe fixing	PRC	ZL200820205970.5	24 December 2008 - 23 December 2018
86	Automatic sealing floor drain	PRC	ZL200820205969.2	24 December 2008 - 23 December 2018
87	Cutting positioning device for corrugated pipe cutter	PRC	ZL200820205968.8	24 December 2008 - 23 December 2018
88	Valve sealing ring	PRC	ZL200820206372.X	30 December 2008 - 29 December 2018
89	A device to control the pulling force of steel band for use at production lines of corrugated pipes bound by HDPE steel band	PRC	ZL200820203179.0	11 November 2008 - 10 November 2018

No.	Title of patent	Place of registration	Patent number	Duration of validity
90	A type of pipe strap for pipeline docking	PRC	ZL200820203175.2	11 November 2008 - 10 November 2018
91	A type of corrugated pipe bound by steel band	PRC	ZL200920052893.9	19 March 2009 - 18 March 2019
92	Pipe fittings (triplet)	PRC	ZL200930070605.8	17 March 2009 - 16 March 2019
93	A type of stop valve for pipelines	PRC	ZL200820204721.4	5 December 2008 - 4 December 2018
94	A connecting, sealed device used in the vacuum chamber for cooling and shaping at production lines of pipelines	PRC	ZL200710032750.7	21 December 2007 - 20 December 2027
95	A type of wire clip for plugs	PRC	ZL200820203176.7	11 November 2008 - 10 November 2018
96	Pipe fittings (90° elbow)	PRC	ZL200930070607.7	17 March 2009 - 16 March 2019
97	Pipe fittings (90° reducing elbow)	PRC	ZL200930070608.1	17 March 2009 - 16 March 2019
98	Pipe fittings (reducing hex coupling)	PRC	ZL200930070609.6	17 March 2009 - 16 March 2019
99	Pipe fittings (reducing cross)	PRC	ZL200930070611.3	17 March 2009 - 16 March 2019
100	Pipe fittings (hex coupling)	PRC	ZL200930070612.8	17 March 2009 - 16 March 2019
101	A type of measuring tool	PRC	ZL200820205966.9	24 December 2008 - 23 December 2018
102	A type of self-sufficient electric/water meter system	PRC	ZL200920055065.0	21 April 2009 - 20 April 2019
103	An opening indication device for a type of inside screw non-rising stem type gate valve	PRC	ZL200920055078.8	21 April 2009 - 20 April 2019
104	A type of water meter with temperature indicator	PRC	ZL200920055079.2	21 April 2009 - 20 April 2019

No.	Title of patent	Place of registration	Patent number	Duration of validity
105	A type of hot-melt welding structure for long radius plastic ball valve	PRC	ZL200920058990.9	23 June 2009 - 22 June 2019
106	Hot-melt welding structure for long radius plastic ball valve	PRC	ZL200920058991.3	23 June 2009 - 22 June 2019
107	A type of sealed support ring	PRC	ZL200920058992.8	23 June 2009 - 22 June 2019
108	A type of valve stem for ball valve	PRC	ZL200920058993.2	23 June 2009 - 22 June 2019
109	A type of valve thimble structure for ball valve stem	PRC	ZL200920058994.7	23 June 2009 - 22 June 2019
110	A type of sealed ring installation structure for ball valve stem	PRC	ZL200920058995.1	23 June 2009 - 22 June 2019
111	A type of plastic ball valve structure	PRC	ZL200920058996.6	23 June 2009 - 22 June 2019
112	A type of valve body structure for gate valve	PRC	ZL200920052919.x	19 March 2009 - 18 March 2019
113	Pipe fittings (90° reducing elbow)	PRC	Z200930070606.2	17 March 2009 - 16 March 2019
114	Pipe fittings (45˚ elbow)	PRC	Z200930070610.9	17 March 2009 - 16 March 2019

As of 13 May 2010, we had applied for registration of the following patents, the registration of each of which has not yet been granted:

No.	Title of patent	Place of application	Date of application	Application number
1	A kind of pipe connection method	PRC	29 May 2007	200710028301.5
2	A processing method for facilitating interconnection between polyethylene spiral corrugated steel pipe	PRC	29 May 2007	200710028298.7

No.	Title of patent	Place of application	Date of application	Application number
3	A kind of rotary tractor in a plastic pipe production line	PRC	21 December 2007	200710032752.6
4	A kind of plastic profile	PRC	14 December 2007	200710032435.4
5	A kind of one-way horizontal check valve	PRC	24 March 2008	200810026958.2
6	A kind of variable-angle elbow	PRC	24 March 2008	200810026960.X
7	A kind of pipe clamp structure	PRC	24 March 2008	200810026961.4
8	A kind of check valve for construction-purpose drainage pipeline	PRC	24 March 2008	200810026957.8
9	A kind of water-cooled space cooling system	PRC	18 April 2008	200810027530.X
10	A kind of water-blow space temperature control system	PRC	18 April 2008	200810027531.4
11	A kind of sewage pipeline system for multi-storey buildings	PRC	25 July 2008	200810029738.5
12	A kind of welding method for HDPE large-diameter hollow wall spiral pipe production line	PRC	25 July 2008	200810029737.0
13	A kind of glass fibre reinforced PVC materials and preparation method thereof	PRC	28 August 2008	200810198079.8
14	A kind of automatic pipe packaging machine	PRC	5 September 2008	200810198336.8
15	A kind of monitoring device and method for real-time pressure testing of pipelines	PRC	5 September 2008	200810198335.3
16	A kind of hollow glass spheres reinforced PVC materials and preparation method thereof	PRC	28 August 2008	200810198078.3

No.	Title of patent	Place of application	Date of application	Application number
17	A kind of underground rainwater collecting device	PRC	28 October 2008	200810218698.9
18	A kind of plastic pipe system for irrigation canals	PRC	28 October 2008	200810218697.4
19	A kind of non-toxic chlorinated polyethylene pipe and preparation method thereof	PRC	28 October 2008	200810218701.7
20	A kind of roll cutting device for plastic/aluminum stable compound pipes	PRC	28 October 2008	200810218696.X
21	A kind of plastic composite pipe made of PE plastic pipe and PE steel mesh skeleton	PRC	28 October 2008	200810218699.3
22	A kind of corrugated steel pipe connection method	PRC	28 October 2008	200810218700.2
23	A kind of hot-melt gum for adhesive bonding of steel-plastic composite pipes	PRC	19 March 2009	200910038021.1
24	A kind of plastic pipe line expanding device and expanding method	PRC	19 March 2009	200910038020.7
25	A kind of steel-plastic composite pipe lining equipment and operation method thereof	PRC	19 March 2009	200910038022.6
26	Preparation materials and method for PVC anti-static pipes	PRC	19 March 2009	200910038023.0
27	A kind of gate valve structure	PRC	19 March 2009	200910038019.4
28	Pipe fittings (anisotropic Tee)	PRC	17 March 2009	200930070604.3
29	Pipe fittings (Cross)	PRC	17 March 2009	200930070613.2

No.	Title of patent	Place of application	Date of application	Application number
30	A kind of self-cleaning filter tap structure and cleaning method thereof	PRC	21 April 2009	200910038851.4
31	Temperature measurement water meter	PRC	21 April 2009	200910038850.X
32	Explosion protection water meter shell structure	PRC	21 April 2009	200910038852.9
33	Hot melt welding polyethylene plastic ball valve	PRC	23 June 2009	200910040477.1
34	Hot melt welding structure of polyethylene plastic ball valve	PRC	23 June 2009	200910040479.0
35	Top entry plastic ball valve	PRC	23 June 2009	200910040462.5
36	Bottom entry plastic ball valve	PRC	23 June 2009	200910040476.7
37	Pipeline connecting structure	PRC	23 June 2009	200910040481.8
38	Dual-sealing valve structure	PRC	30 December 2008	200810220572.5
39	Extrusion cooling method for pipeline production	PRC	24 December 2008	200810220335.9
40	A kind of pipeline stop valve	PRC	5 December 2008	200810219713.1
41	Method for changing sealing filler for valves	PRC	30 December 2008	200810220574.4
42	Production equipment and production method for instant reducing for plastic pipes	PRC	24 February 2009	200910037369.9
43	Instant compounding method for steel-plastic compound pipes	PRC	24 February 2009	200910037370.1
44	A kind of plastic pipe strap structure	PRC	1 September 2009	200920193869.7
45	A kind of deep-hole fraising hole device	PRC	1 September 2009	200910042354.1

No.	Title of patent	Place of application	Date of application	Application number
46	A kind of non-rising stem valve capable of displaying opening and on/off status	PRC	1 September 2009	200920193868.2
47	A kind of pile-type plunger valve	PRC	1 September 2009	200910042366.4
48	A kind of plunger sealing structure for plunger valve	PRC	1 September 2009	200920193865.9
49	A kind of sealing support-ring structure for plunger valve body	PRC	1 September 2009	200920193866.3
50	A kind of plunging structure for plunger valve	PRC	1 September 2009	200920193867.8
51	A kind of pipeline stop valve	PRC	1 September 2009	200910042362.6
52	A kind of impurities filtering device in extrusion of PVC resins	PRC	1 September 2009	200910042353.7
53	Angle valves (tooth profile)	PRC	12 August 2009	200930311569.X
54	Angle valves (petal profile)	PRC	12 August 2009	200930311558.1
55	Faucet (filter type)	PRC	12 August 2009	200930311571.7
56	Faucet (receiver type)	PRC	12 August 2009	200930311573.6
57	Flushing cisterns (BMW front type)	PRC	12 August 2009	200930311579.3
58	Flushing cisterns (wedge type)	PRC	12 August 2009	200930311584.4
59	Spherical valve handles	PRC	12 August 2009	200930311585.9
60	Angle valves (wheel profile)	PRC	12 August 2009	200930311555.8
61	A kind of connection pipe fittings for steel mesh skeleton composite pipes and preparation method thereof	PRC	1 September 2009	200910042365.X

No.	Title of patent	Place of application	Date of application	Application number
62	Connecting method for pipes with different calibres	PRC	30 September 2009	200910192906.7
63	A kind of fastenings for connecting different pipe fittings	PRC	30 September 2009	200920236756.0
64	A kind of glue filling machine with an easy locating feature	PRC	30 September 2009	200920236757.5
65	A kind of pipe cap for lined plastic steel pipes	PRC	30 September 2009	200920236761.1
66	Pipe caps	PRC	30 September 2009	200930249082.3
67	A kind of sealing ring	PRC	30 September 2009	200920236759.4
68	Method for removing black lines and black texture on the surface of PV extrusion products	PRC	30 September 2009	200910192915.6
69	A kind of porous plate for PVC extruders	PRC	30 September 2009	200920236760.7
70	A kind of injection mould	PRC	30 September 2009	200920236758.X
71	Gas emission structure for injection mould	PRC	30 September 2009	200910192914.1
72	PVC extrusion equipment for removing black lines and black texture on product surface	PRC	30 September 2009	200910192916.0
73	Treatment applicable to transportation and storage of plastic-steel pipes	PRC	30 September 2009	200910192904.8
74	Connecting method for double-wall corrugated pipes	PRC	30 September 2009	200910192905.2
75	Transparent polyethylene compound and related pipes	PRC	13 October 2009	200910193024.2
76	Glass and fibre-enhanced polyethylene materials and preparation method thereof	PRC	13 October 2009	200910193021.9

No.	Title of patent	Place of application	Date of application	Application number
77	Pre-treatment process for steel-plastic compound pipes	PRC	13 October 2009	200910193020.4
78	PVC/ABS copolymer and related pipes	PRC	13 October 2009	200910193023.8
79	PVC compound and related transparent pipes	PRC	27 October 2009	200910193363.0
80	Lightening protection method for plastic pipes	PRC	6 November 2009	200910193717.1
81	A kind of lightning protection plastic pipe	PRC	6 November 2009	200920238597.8
82	Polyethylene full-plastic gas ball valve	PRC	6 November 2009	200910193712.9
83	A kind of ring holder sealing with valve ball	PRC	6 November 2009	200920238624.1
84	A kind of locating structure for spherical valve body and ring holder sealing with valve ball	PRC	6 November 2009	200920238596.3
85	A kind of composite pipe	PRC	13 October 2009	200920237105.3
86	A type of motor device for sticky and elevating underground spray nozzle	PRC	31 December 2009	200910214545.1
87	A type of motor device for elevating underground spray nozzle	PRC	31 December 2009	200910214546.6
88	A type of water flow rotator used in the motor device of elevating underground spray nozzle	PRC	31 December 2009	200920296030.6
89	A type of rotating motor equipment used in the motor device of elevating underground spray nozzle	PRC	31 December 2009	200920296029.3
90	A type of hydraulic motor equipment used in the motor device of elevating underground spray nozzle	PRC	31 December 2009	200920296028.9

No.	Title of patent	Place of application	Date of application	Application number
91	A type of spray nozzle motor equipment used in the motor device of elevating underground spray nozzle	PRC	31 December 2009	200920296027.4
92	A type of impeller, water-proof, muting check valve	PRC	31 December 2009	200910214544.7
93	A type of impeller, cased, water-proof, muting check valve	PRC	31 December 2009	200910214543.2
94	A type of water-proof, muting check valve	PRC	31 December 2009	200910214483.4
95	A type of screw thread cover/lid	PRC	31 December 2009	200910214569.7
96	A type of screw thread cover/lid	PRC	31 December 2009	200920296037.8
97	A type of underground polyethylene ball valve for gas	PRC	31 December 2009	200920296023.6
98	A type of sealed structure on valves	PRC	31 December 2009	200920296022.1
99	A type of sealed structure on metal valves	PRC	31 December 2009	200920296025.5
100	A type of simple, durable, muting check valve	PRC	31 December 2009	200910214548.5
101	A type of muting check valve	PRC	31 December 2009	200910214547.0
102	A type of filter cartridge device for stack-up filters	PRC	11 February 2010	201010115864.X
103	A type of filter strips for stack-up filters	PRC	11 February 2010	201020121181.0
104	A extrusion-shaping control method for β-PP pipe fittings	PRC	11 February 2010	201010115878.1
105	A type of extrusion-shaping control equipment for β-PP pipe fittings	PRC	11 February 2010	201020121185.9

No.	Title of patent	Place of application	Date of application	Application number
106	A quick connection method for repairing damaged pipe lines	PRC	11 February 2010	201010115861.6
107	A type of connector for the quick connection of pipe lines	PRC	11 February 2010	201020121193.3
108	A type of plastic water tank	PRC	11 February 2010	201020121202.9
109	A type of sealed pipe cap for plastic water tank	PRC	11 February 2010	201020121196.7
110	A type of U-shaped elbow for ground source heat pump	PRC	11 February 2010	201020121183.X
111	A type of quick adapter connector for junction box	PRC	11 February 2010	201020121182.5
112	A type of sealing ring for the lining of PVC-U steel and plastic composite pipe fittings	PRC	9 March 2010	201020129529.0
113	A method to control the opening of the rotation switch of temperature-sensing valves	PRC	9 March 2010	201010122914.7
114	A type of temperature-sensing valve	PRC	9 March 2010	2010201295182.2
115	A type of polymer-based solar energy heat collector	PRC	26 February 2010	201010115465.3
116	A type of polymer-based heat preservation reflector panel for solar energy heat collector	PRC	26 February 2010	201010118756.8
117	A type of polymer-based heat collection pipe for solar energy heat collector	PRC	26 February 2010	201010118757.2
118	A type of heat collection pipe used in polymer-based solar energy heat collector	PRC	26 February 2010	201010118758.7

No.	Title of patent	Place of application	Date of application	Application number
119	A type of polymer-based solar energy heat collector	PRC	26 February 2010	2010120124597.8
120	A type of polymer-based heat preservation reflector panel for solar energy heat collector	PRC	26 February 2010	201020124582.1
121	A type of blanket-shaped solar energy heat collector	PRC	26 February 2010	201010115475.7
122	A type of blanket-shaped solar energy heat collector	PRC	26 February 2010	201020124577.0
123	A type of material used to manufacture plastic pipe lines with high heat conducting properties	PRC	26 February 2010	201010115479.5
124	A type of coated composite steel pipe	PRC	9 March 2010	201010122929.3
125	A type of coated composite pipe fitting	PRC	9 March 2010	201010122942.9
126	A type of coated composite steel pipe production equipment	PRC	9 March 2010	201020129509.3
127	A type of drain valve	PRC	9 March 2010	201010122946.7
128	A type of drain valve	PRC	9 March 2010	201020129505.5
129	Dual-sealing valve structure	PCT	21 August 2009	PCT/CN2009/073432
130	Bottom entry plastic ball valve	PCT	21 August 2009	PCT/CN2009/073420
131	Top entry plastic ball valve	PCT	21 August 2009	PCT/CN2009/073416
132	A kind of pipeline stop valve	PCT	21 August 2009	PCT/CN2009/073429
133	A type of impeller, water-proof, muting check valve	PCT	15 January 2010	PCT/CN2010/070215
134	A type of water-proof, muting check valve	PCT	15 January 2010	PCT/CN2010/070220

No.	Title of patent	Place of application	Date of application	Application number
135	A type of motor device for sticky and elevating underground spray nozzle	PCT	15 January 2010	PCT/CN2010/070211
136	A type of motor device for elevating underground spray nozzle	PCT	15 January 2010	PCT/CN2010/070207
137	A type of filter cartridge device for stack-up filters	PCT	15 March 2010	PCT/CN2010/071035

(c) Copyright

As of 13 May 2010, we are the registered proprietor and beneficial owner of the following copyright:

Title of copyright	Place of registration	Copyright number	Duration of validity
聯塑颾升形象圖形	PRC	2006-F-04395	6 July 2004 - 31 December 2054

(d) Domain names

As of 13 May 2010, we had registered the following domain name:

No.	Domain name	Registration date	Expiry date
1.	liansu.com	18 April 2000	18 April 2013
2.	liansu.cn	29 May 2003	29 May 2012
3.	liansu.net	11 July 2007	11 July 2012
4.	liansu.hk	2 July 2007	2 July 2014
5.	lsprofile.com	1 November 2007	1 November 2012
6.	lsprofile.com.cn	1 November 2007	1 November 2012
7.	lsprofile.cn	1 November 2007	1 November 2012
8.	廣東聯塑.com	7 April 2006	7 April 2012
9.	聯塑集團.com	7 April 2006	7 April 2012
10.	聯塑機器.com	7 April 2006	7 April 2012
11.	聯塑科技.com	7 April 2006	7 April 2012

No.	Domain name	Registration date	Expiry date
12.	聯塑機器.中國	7 April 2006	7 April 2012
13.	聯塑.公司	21 March 2005	21 March 2012
14.	聯塑.網絡	22 March 2006	22 March 2012
15.	廣東聯塑.中國	6 April 2006	6 April 2012
16.	聯塑集團.中國	11 April 2008	11 April 2012
17.	聯塑科技.中國	6 April 2006	6 April 2012
18.	依達.中國	17 April 2006	17 April 2012
19.	聯塑.com	21 March 2005	21 March 2012
20.	聯塑集團.net	16 August 2008	16 August 2010
21.	聯塑集團.網絡	16 August 2008	16 August 2010
22.	聯塑科技	16 August 2005	16 August 2012
23.	聯塑	12 September 2005	12 September 2012
24.	聯塑集團	15 September 2005	15 September 2012
25.	廣東聯塑	5 February 2006	5 February 2012
26.	聯塑機器	5 June 2006	5 June 2012
27.	依達	5 February 2006	5 February 2012
28.	武漢聯塑	4 July 2006	4 July 2012

10. Related party transactions

The related party transactions of the Group entered into during the two years immediately preceding the date of this prospectus have been disclosed in note 36 to section II of the accountants' report, the text of which is set out in Appendix I to this prospectus.

FURTHER INFORMATION ABOUT DIRECTORS AND SHAREHOLDERS

11. Directors

(a) Disclosure of interests of the Directors

Mr. Wong is interested in the Reorganization.

Save as disclosed in this prospectus, none of the Directors or their associates were engaged in any dealings with us during the two years preceding the date of this prospectus.

(b) Particulars of Directors' service contracts

Each of our Directors has entered into a service contract with our Company pursuant to which they agreed to act as our Directors for an initial fixed term of three years commencing from the Listing Date and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other, which notice shall not expire until after the fixed term.

Each of our Directors is entitled to the respective basic salary set out below. Each of the executive Directors is also entitled to a discretionary bonus, provided that the aggregate amount of the bonuses payable to all of our executive Directors in respect of any financial year may not exceed 5% of our audited consolidated or combined net profit (after taxation and payment of such bonuses) in respect of that financial year. An executive Director may not vote on any resolution of our Directors regarding the discretionary bonus payable to him.

The current basic annual salaries of our Directors payable under their service contracts are as follows:

Name	**Annual salary**
Mr. Wong Luen Hei	HK$720,000
Mr. Zuo Manlun	HK$720,000
Ms. Zuo Xiaoping	HK$720,000
Mr. Lai Zhiqiang	RMB300,000
Mr. Kong Zhaocong	RMB300,000
Mr. Chen Guonan	RMB300,000
Mr. Lin Shaoquan	RMB300,000
Mr. Huang Guirong	RMB300,000
Mr. Luo Jianfeng	HK$720,000
Mr. Lin Dewei	HK$420,000
Mr. Bai Chongen	HK$300,000
Mr. Fung Pui Cheung	HK$300,000
Mr. Wong Kwok Ho Jonathan	HK$300,000

Save as aforesaid, none of our Directors has or is proposed to have a service contract with our Company or any of our subsidiaries other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

(c) Directors remuneration

(i) The aggregate emoluments (excluding discretionary bonus) paid and benefits in kind granted by us to the Directors in respect of the financial year ended 31 December 2009 were RMB4,258,000.

(ii) Under the arrangements in force as of the date of this prospectus, we estimate that the aggregate emoluments (excluding discretionary bonus) payable by us to and benefits in kind receivable by the Directors (including the independent non-executive Directors in their respective capacity as Directors) for the year ending 31 December 2010 are expected to be approximately RMB4,649,507.

(iii) None of the Directors or any past directors of any member of us has been paid any sum of money for each of the years ended 31 December 2007, 2008 and 2009 (i) as an inducement to join or upon joining our Company or (ii) for loss of office as a director of any member of us or of any other office in connection with the management of the affairs of any member of us.

(iv) There has been no arrangement under which a Director has waived or agreed to waive any emoluments for the years ended 31 December 2007, 2008 and 2009.

(d) Interests and short positions of Directors in the shares, underlying shares or debentures of our Company and our associated corporations

Immediately following completion of the Global Offering and the Capitalization Issue and taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme, the interests and short positions of the Directors in the shares, underlying shares or debentures of our Company and our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, once the Shares are listed, will be as follows:

Name of Director	Capacity/nature of interest	Number of Shares	Approximate percentage of interest in our Company(2)
Mr. Wong Luen Hei(1)	Interest in controlled corporation	2,250,000,000	75%

Notes:

(1) Mr. Wong Luen Hei, an executive Director, owns the entire issued share capital of New Fortune, which owns 2,250,000,000 Shares upon completion of the Global Offering and the Capitalization Issue. Accordingly, Mr. Wong Luen Hei is interested in the 2,250,000,000 Shares held by New Fortune under the SFO.

(2) Assuming the Over-allotment Option is not exercised.

12. Interest discloseable under the SFO and substantial shareholders

So far as is known to the Directors, immediately following completion of the Global Offering and the Capitalization Issue (but without taking account of any Shares which may be taken up or acquired under the Global Offering and any Shares which may be allotted and issued upon the exercise of the

Over-allotment Option and the options which may be granted under the Share Option Scheme), other than a Director or chief executive of our Company whose interests are disclosed under the sub-paragraph headed "Interests and short positions of the Directors in the shares, underlying shares or debentures of our Company and our associated corporations" above, the following persons will have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of us:

Name of shareholder	Capacity/nature of interest	Number of Shares	Approximate percentage of shareholding
New Fortune	Beneficial owner	2,250,000,000	75%
Mr. Wong	Interest in controlled corporation	2,250,000,000	75%

13. Disclaimers

Save as disclosed in this prospectus:

(a) and taking no account of any Shares which may be taken up or acquired under the Global Offering or upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, the Directors are not aware of any person (not being a Director or chief executive of our Company) who immediately following the completion of the Global Offering and the Capitalization Issue will have an interest or a short position in the Shares and underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who will, either directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of us;

(b) none of the Directors has any interest or short position in any of the shares, underlying shares or debentures of our Company or any associated corporations within the meaning of Part XV of the SFO, which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any of them is deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, in each case once the Shares are listed;

(c) none of the Directors nor any of the parties listed in the paragraph headed "Qualification of experts" below has been interested in the promotion of, or has any direct or indirect interest in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to our Company or any of the subsidiaries of our Company, or are proposed to be acquired or disposed of by or leased to our Company or any other member of us nor will any Director apply for the Offer Shares either in his own name or in the name of a nominee;

(d) none of the Directors nor any of the parties listed in the paragraph headed "Qualifications of experts" below is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to business of us; and

(e) save in connection with the Underwriting Agreements, none of the experts listed in the paragraph headed "Qualifications of experts" below:

 (i) is interested legally or beneficially in any securities of any member of us; or

 (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of us.

OTHER INFORMATION

14. Pre-IPO Share Option Scheme

(a) Summary of terms

The purpose of the Pre-IPO Share Option Scheme is to give our employees an opportunity to have a personal stake in our Company and help motivate them to optimize their future performance and efficiency to our Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such employees who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of our Group. The principal terms of the Pre-IPO Share Option Scheme, approved by our Shareholders pursuant to the written resolutions of our Shareholders dated 14 May 2010, are substantially the same as the terms of the Share Option Scheme except that:

(i) the subscription price per Share under the Pre-IPO Share Option Scheme shall be at a 30% discount to the Offer Price; and

(ii) all options granted under the Pre-IPO Share Option Scheme will only be vested in the following manner:

Vesting period	Maximum percentage of options exercisable
From the 1st anniversary of the Listing Date until the day immediately before the 2nd anniversary of the Listing Date...	25% of total number of shares under option
From the 2nd anniversary of the Listing Date until the day immediately before the 3rd anniversary of the Listing Date....	35% of total number of shares under option
From the 3rd anniversary of the Listing Date until the day immediately before the 4th anniversary of the Listing Date....	40% of total number of shares under option

The option period shall expire on the fourth anniversary of the Listing Date.

The total number of Shares which may be issued upon the exercise of all options granted under the Pre-IPO Share Option Scheme is determined by HK$300,000,000 divided by the Offer Price, amounting to 115,378,000 Shares (assuming an Offer Price of HK$2.60, being the low-end of the Offer Price range, and subject to rounding to the nearest board lot), representing 3.70% of our Company's issued share capital immediately after completion of the Global Offering and the Capitalization Issue as enlarged by the issue of Shares pursuant to the exercise of all options granted under the Pre-IPO Share Option Scheme in full, but without taking into account any Shares which may fall to be allotted and issued upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme. Save for the options granted to our Directors, no options under the Pre-IPO Share Option Scheme were granted to any of our Connected Persons. Save for the options which have been granted as of the Latest Practicable Date, no further options will be granted under the Pre-IPO Share Option Scheme on or after the Listing Date.

Application has been made to the Listing Committee of the Stock Exchange for the approval of the listing of and permission to deal in the Shares to be issued pursuant to the exercise of the options granted under the Pre-IPO Share Option Scheme.

(b) Outstanding Options Granted

As of the Latest Practicable Date, options to subscribe for all of the Shares under the Pre-IPO Share Option Scheme as described above were conditionally granted to 226 participants by our Company. All the options under the Pre-IPO Share Option Scheme were granted on 21 May 2010 at a consideration of HK$1 paid by each grantee and no further options will be granted under the Pre-IPO Share Option Scheme prior to the Listing Date.

A summary of the grantees who have been granted options under the Pre-IPO Share Option Scheme is set out below:

No.	Name of Grantee	Title	Address	Number of Shares subject to the options(1)	Percentage of total options granted under the Pre-IPO Share Option Scheme	Approximate percentage of shareholding held upon exercise of all the options immediately upon Listing(2)
	Directors					
1.	Zuo Manlun (左滿倫)	Executive Director and Chief Executive Officer of the Company	Flat B, 12th Floor, Nanking Building, 1-F Nanking Street, Yau Ma Tei, Kowloon, Hong Kong	3,842,000	3.33%	0.12%

No.	Name of Grantee	Title	Address	Number of Shares subject to the options(1)	Percentage of total options granted under the Pre-IPO Share Option Scheme	Approximate percentage of shareholding held upon exercise of all the options immediately upon Listing(2)
2.	Zuo Xiaoping (左笑萍)	Executive Director and Vice President of the Company	Flat D, 59th Floor, Block 3, Sorrento, No.1 Austin Road West, Tsim Sha Tsui, Kowloon, Hong Kong	2,308,000	2.00%	0.07%
3.	Kong Zhaocong (孔兆聰)	Executive Director and Vice President of the Company	Flat 315, No.118, Qingning Road, Chancheng District, Foshan City, Guangdong Province	2,308,000	2.00%	0.07%
4.	Lai Zhiqiang (賴志强)	Executive Director and Vice President of the Company	Flat 503, Block 2, Aoyuan Huating, No. 9, Xinguizhong Road, Daliang Subdistrict, Shunde District, Foshan City, Guangdong Province	2,308,000	2.00%	0.07%
5.	Lin Shaoquan (林少全)	Executive Director and Vice President of the Company	Flat 802, Unit 4, Junzhu Street, Haizhu District, Guangzhou City, Guangdong Province	1,927,000	1.67%	0.06%
6.	Chen Guonan (陳國南)	Executive Director and Vice President of the Company	Flat 5C, Jujinxuan, Liyayuan, Guicheng Subdistrict, Nanhai District Foshan City, Guangdong Province	1,927,000	1.67%	0.06%
7.	Huang Guirong (黃貴榮)	Executive Director and Vice President of the Company	Room 1801, No. 37, Lvjingyi Road, Chancheng District, Foshan City, Guangdong Province	1,927,000	1.67%	0.06%
8.	Luo Jianfeng (羅建峰)	Executive Director	No. 36, Yuxing Street, Yujing Garden, Nanguo Road East, Daliang Subdistrict, Shunde District, Foshan City, Guangdong Province	1,927,000	1.67%	0.06%

No.	Name of Grantee	Title	Address	Number of Shares subject to the options[(1)]	Percentage of total options granted under the Pre-IPO Share Option Scheme	Approximate percentage of shareholding held upon exercise of all the options immediately upon Listing[(2)]
9.	Lin Dewei (林德緯)	Non-executive Director	Flat 2308, Block 2, No. 72 Dayuan, Nonglinxia Road, Yuexiu District, Guangzhou City, Guangdong Province	692,000	0.60%	0.02%
	Subtotal:			19,166,000	16.61%	0.62%
	Senior management of the Company					
10.	Pan Guohua (潘國華)	Chief Officer of Administrative Department	No.1, Heng Er Street, Yuan Quan Lane, Ren Min Road South, Long Jiang Town, Shunde District, Foshan City, Guangdong Province	1,235,000	1.07%	0.04%
11.	Liu Guanggen (劉廣根)	Chief Finance Officer	Flat 707, No.5 Building, Hua Bao Xin Cun, Da Liang Subdistrict, Shunde District, Foshan City, Guangdong Province	1,235,000	1.07%	0.04%
12.	Zuo Xiaoying (左笑英)	Vice President	No.3, Heng Er Street, Fu Xin Road, Shi Bu South, Long Jiang Town, Shunde District, Foshan City, Guangdong Province	1,235,000	1.07%	0.04%
13.	Tan Aiqiu (譚愛球)	Chief Officer of Internal Audit Department	No.6, Chong De Lane, Shang Yong Road, Shi Bu, Long Jiang Town, Shunde District, Foshan City, Guangdong Province	1,235,000	1.07%	0.04%
14.	Lin Zhuangqun (林壯群)	Chief Officer of Planning Department	Flat 502, Xiang Xing Building, Le Ping Road, Le Cong Town, Shunde District, Foshan City, Guangdong Province	1,235,000	1.07%	0.04%

No.	Name of Grantee	Title	Address	Number of Shares subject to the options(1)	Percentage of total options granted under the Pre-IPO Share Option Scheme	Approximate percentage of shareholding held upon exercise of all the options immediately upon Listing(2)
15.	Li Fengxi (李鳳喜)	Chief Officer of Customer Service Department	Flat 1502, No.1 Wen Hua Hua Yuan, Long Jiang Town, Shunde District, Foshan City, Guangdong Province	1,235,000	1.07%	0.04%
16.	Yang Jiyue (楊繼躍)	Chief Technical Officer	No.27-19, Cheng Yue Huan Hu Road, Xi Sai Shan District, Huang Shi City, Hubei Province	1,235,000	1.07%	0.04%
17.	Ong Chi King (王子敬)	Joint Company Secretary	Flat D, 8/F, Yee Hoi Mansion, Lei King Wan, Hong Kong	496,000	0.43%	0.02%
18.	Yuan Shuixian (袁水先)	Joint Company Secretary	Room 701, Building 17, Yijing Yuan, Jinbihao Yuan, Leliu Subdistrict, Shunde District, Foshan City, Guangdong Province	692,000	0.60%	0.02%
	Subtotal:			9,833,000	8.52%	0.32%
	Other grantees whose options would entitle each of them to subscribe 692,000 Shares or more					
19.	Huang Kunxi (黃坤禧)	Manager of Administrative Department	No. 115 Feng Hua Road North, Xixi, Longjiang Town, Shunde District, Foshan City, Guangdong Province	1,073,000	0.93%	0.03%
20.	Cai Ziwen (蔡子文)	Manager	No. 15 She Lu Street, Xixi, Longjiang Town, Shunde District, Foshan City, Guangdong Province	1,073,000	0.93%	0.03%
21.	Zhou Zhideng (周志登)	Manager	No. 40 Renmin Road South, Longjiang Town, Shunde District, Foshan City, Guangdong Province	1,073,000	0.93%	0.03%

No.	Name of Grantee	Title	Address	Number of Shares subject to the options(1)	Percentage of total options granted under the Pre-IPO Share Option Scheme	Approximate percentage of shareholding held upon exercise of all the options immediately upon Listing(2)
22.	Cai Guowei (蔡國偉)	Sales Manager	No. 2 Beijing Road, Jianjiang District, Huazhou City, Guangdong Province	1,073,000	0.93%	0.03%
23.	Liang Wenyi (梁文誼)	Sales Manager	No. 1 the Fourth West Alley, Shi Bu Jiang Hua Road, Longjiang Town, Shunde District, Foshan City, Guangdong Province	1,073,000	0.93%	0.03%
24.	Cai Junhui (蔡俊慧)	Sales Manager	Room 201, No. 3 Jian Nan Street, Haizhu District, Guangzhou City	1,073,000	0.93%	0.03%
25.	Lu Jiaohui (盧教輝)	Manager of Warehousing Department	No. 4 Xin Alley, Donghai Xining Avenue West, Longjiang Town, Shunde District, Foshan City, Guangdong Province	1,073,000	0.93%	0.03%
26.	Huang Hui (黃輝)	Vice General Manager	No. 12, Yangtao Gen Village, Pingdong Village, Longmen Town, Pubei County, Guangxi Province	1,073,000	0.93%	0.03%
27.	Yang Xiangrong (楊向榮)	General Manager	No. 7-2-4, No. 25 Zhong Nan Yi Road, Wuchang District, Wuhan City	1,073,000	0.93%	0.03%
28.	Chen Zhikun (陳志坤)	General Manager	No. 2 South Alley, Shi Bu Long Shou Zhi Street, Longjiang Town, Shunde District, Foshan City, Guangdong Province	1,073,000	0.93%	0.03%
29.	Zhao Jing (趙晶)	Spokesperson	Flat 304, Block 1A, Yunshang Liying Garden, Fu He Road, Guangzhou Avenue North, Baiyun District, Guangzhou City	1,073,000	0.93%	0.03%

No.	Name of Grantee	Title	Address	Number of Shares subject to the options(1)	Percentage of total options granted under the Pre-IPO Share Option Scheme	Approximate percentage of shareholding held upon exercise of all the options immediately upon Listing(2)
30.	Cai Jincheng (蔡錦成)	Manager	No. 23, Yu Qing Lane, Rulin Avenue, Longjiang Town, Shunde District, Foshan City, Guangdong Province	692,000	0.60%	0.02%
31.	Guan Huidong (關惠東)	Manager	No. 18, East Alley, Pan Long Street, Gaojiao Road, Longjiang Town, Shunde District, Foshan City, Guangdong Province	692,000	0.60%	0.02%
32.	Mei Xiaoxia (梅肖霞)	Vice Manager	No. 1, Hengzhong Yi Road, Dong Tou Heng Lang Road, Longjiang Town, Shunde District, Foshan City, Guangdong Province	692,000	0.60%	0.02%
33.	Huang Jiexiang (黃潔湘)	Vice Manager	No. 114, Feng Hua Road North, Longjiang Town, Shunde District, Foshan City, Guangdong Province	692,000	0.60%	0.02%
34.	Li Shengli (李勝利)	Supervisor of the Tendering Department	Gongdong Chang Jie Village, Gongle Town, Xingwen County, Sichuan Province	692,000	0.60%	0.02%
35.	Huang Jianxi (黃鑑禧)	Manager of the Marketing Department	No. 35 Nan Zhen Er Road, Xixi, Longjiang Town, Shunde District, Foshan City, Guangdong Province	692,000	0.60%	0.02%
36.	Zuo Zhilun (左智倫)	Manager of the Marketing Department	No. 25 Hua Li Road, Shangye Avenue, Longjiang Town, Shunde District, Foshan City, Guangdong Province	692,000	0.60%	0.02%

No.	Name of Grantee	Title	Address	Number of Shares subject to the options(1)	Percentage of total options granted under the Pre-IPO Share Option Scheme	Approximate percentage of shareholding held upon exercise of all the options immediately upon Listing(2)
37.	Zhang Weihong (張偉洪)	Manager of the Marketing Department	No. 9 Alley Two, Guantian Nan Zha Avenue, Longjiang Town, Shunde District, Foshan City, Guangdong Province	692,000	0.60%	0.02%
38.	Yu Weida (餘偉大)	Sales Manager	Room 201, No. 23 Sixin Road West, Enping City, Guangdong Province	692,000	0.60%	0.02%
39.	Chen Yongquan (陳永權)	Sales Manager	Zhuoyue Air-conditioner Plant, Nan Tou Town, Zhongshan City, Guangdong Province	692,000	0.60%	0.02%
40.	Liu Guangsong (劉光松)	Vice General Manager	No. 2 Lan Cheng Road South, Xisa Town, Xichou County, Wenshan Zhuang and Miao Autonomous Prefecture, Yunnan Province	692,000	0.60%	0.02%
41.	Huang Yongfeng (黃永鋒)	Vice General Manager	No. B-501 Hengye Haoting, Xing Hua Road, Lecong Town, Shunde District, Foshan City, Guangdong Province	692,000	0.60%	0.02%
42.	Tan Jianwen (譚劍文)	Vice General Manager	No. 6, Alley Two, Nankeng Haolin Street, Longjiang Town, Shunde District, Foshan City, Guangdong Province	692,000	0.60%	0.02%
43.	Wei Li (韋立)	Vice General Manager	No. 4, Unit 1, Block 2, Niu Xing Street, Yuanhui District, Luohe City, Henan Province	692,000	0.60%	0.02%
44.	Dai Hao (戴浩)	Vice General Manager	No. 24, Kang Fu Road South, Heshan District, Yiyang City, Hunan Province	692,000	0.60%	0.02%

No.	Name of Grantee	Title	Address	Number of Shares subject to the options[(1)]	Percentage of total options granted under the Pre-IPO Share Option Scheme	Approximate percentage of shareholding held upon exercise of all the options immediately upon Listing[(2)]
45.	Huang Zhuoxing (黃卓興)	General Manager	No. 4, Longkang Alley, Gehai Hailong Road, Longjiang Town, Shunde District, Foshan City, Guangdong Province	692,000	0.60%	0.02%
	Subtotal:			22,875,000	19.83%	0.73%
	Other grantees					
46.	181 other employees of the Group [(3)]			63,504,000	55.04%	2.04%
				115,378,000	100%	3.70%

Notes:

(1) Assuming an Offer Price of HK$2.60, being the low-end of the proposed Offer Price range, and subject to rounding to the nearest board lot.

(2) These percentages are calculated on the basis of 3,115,378,000 Shares in issue immediately after completion of the Global Offering and the Capitalization Issue as enlarged by the issue of Shares pursuant to the exercise of all options granted under the Pre-IPO Share Option Scheme in full, but without taking into account any Shares which may fall to be allotted and issued upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme.

(3) None of such grantees is a connected person of the Company.

(4) The percentages in the above table were rounded to the nearest two decimal places.

Assuming an Offer Price of HK$2.60, being the low-end of the Offer Price range of HK$2.60 to HK$3.50, the total number of Shares to be issued under all options granted under the Pre-IPO Share Option Scheme represents 3.70% of our Company’s issued share capital immediately after completion of the Global Offering and the Capitalization Issue as enlarged by the issue of Shares pursuant to the exercise of all options granted under the Pre-IPO Share Option Scheme in full, but without taking into account any Shares which may fall to be allotted and issued upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme. If all options are exercised, this would have a dilution effect on the shareholdings of our Shareholders of approximately 3.70% and a dilution effect of approximately 3.70% on earnings per Share such that the forecast earnings per Share for the six months ending 30 June 2010 will be diluted from approximately HK16.5 cents to approximately HK15.9 cents. However, as the options are exercisable for a period of up to the fourth anniversary of the Listing Date, any such dilution and impact on earnings per Share will be staggered over several years. No further options will be granted under the Pre-IPO Share Option Scheme after the Listing Date.

We applied to the SFC for an exemption from strict compliance with the disclosure requirements under paragraph 10(d) of Part 1 of the Third Schedule to the Companies Ordinance and to the Stock Exchange for a waiver from strict compliance with the requirements under Rule 17.02(1)(b) of and paragraph 27 of Part A of Appendix 1 to the Listing Rules in connection with the information of the granting of options under the Pre-IPO Share Option Scheme on the grounds that:

(a) in light of the large number of grantees involved, strict compliance with such disclosure requirements, in setting out full details of all grantees under the Pre-IPO Share Option Scheme in this prospectus, would be unduly burdensome for our Company;

(b) the grant and exercise in full of the options granted under the Pre-IPO Share Option Scheme will not cause any material adverse impact in the financial position of our Company;

(c) non-compliance with the disclosure requirements does not prevent our Company from providing an informed assessment of the activities, assets, liabilities, financial position, management and prospects of our Company to its potential investors; and

(d) the information contained in this prospectus regarding the Pre-IPO Share Option Scheme, including the dilution effect and impact on earnings per Share upon full exercise of the options granted under the Pre-IPO Share Option Scheme provides potential investors with sufficient information to make a relevant assessment of our Company in their investment decision making process.

The waiver from the Stock Exchange has been granted on the following conditions that:

(a) full details of all options granted by the Company under the Pre-IPO Share Option Scheme to each of the grantees who is (i) a Director; or (ii) a member of the senior management of the Company; or (iii) other general staff of the Group with options granted entitling him or her to subscribe for 692,000 Shares or more (assuming an Offer Price of HK$2.60, being the low-end of the Offer Price, and subject to rounding to the nearest board lot) are disclosed in this prospectus, such details to include all the particulars required under Rule 17.02(1)(b) of and paragraph 27 of Part A of Appendix 1 to the Listing Rules;

(b) in respect of the options granted by the Company under the Pre-IPO Share Option Scheme to employees other than those referred to in sub-paragraph (a) above; (i) the aggregate number of grantees and the number of Shares subject to the options; (ii) the consideration paid for the grant of the options; and (iii) the exercise period and the range of exercise prices for the options are disclosed in this prospectus;

(c) a full list of all the grantees (including the persons referred to in sub-paragraph (a) above) who have been granted options to subscribe for Shares under the Pre-IPO Share Option Scheme containing all the particulars as required under Rule 17.02(1)(b) and paragraph 27 of Part A of Appendix 1 of the Listing Rules be made available for public inspection in accordance with "Appendix VII — Documents delivered to the Registrar of Companies and available for inspection — Documents available for inspection";

(d) the aggregate number of Shares underlying the options granted under the Pre-IPO Share Option Scheme and the percentage to the Company's total issued share capital represented by them are disclosed in this prospectus; and

(e) the dilution effect and impact on earnings per Share upon full exercise of the options conditionally granted under the Pre-IPO Share Option Scheme are disclosed in this prospectus.

The exemption from the SFC has been granted on the following conditions that:

(a) full details of all options granted by the Company under the Pre-IPO Share Option Scheme to each of the grantees who is (i) a Director; or (ii) a member of the senior management of the Company; or (iii) other general staff of the Group with options granted entitling him or her to subscribe for 692,000 Shares or more (assuming an Offer Price of HK$2.60, being the low-end of the Offer Price, and subject to rounding to the nearest board lot) are disclosed in this prospectus, such details to include all the particulars required under paragraph 10 of Part I of the Third Schedule to the Companies Ordinance;

(b) in respect of the options granted by the Company under the Pre-IPO Share Option Scheme to employees other than those referred to in sub-paragraph (a) above; (i) the aggregate number of grantees and the number of Shares subject to the options; (ii) the consideration paid for the grant of the options; and (iii) the exercise period and the range of exercise prices for the options are disclosed in this prospectus; and

(c) a full list of all the grantees (including the persons referred to in sub-paragraph (a) above) who have been granted options to subscribe Shares under the Pre-IPO Share Option Scheme containing all the particulars as required under paragraph 10 of Part 1 of the Third Schedule to the Companies Ordinance be made available for public inspection in accordance with "Appendix VII — Documents delivered to the Registrar of Companies and available for inspection — Documents available for inspection".

15. Share Option Scheme

Summary of terms

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by a resolution in writing passed by the sole shareholder of the Company on 14 May 2010 and adopted by a resolution of the Board on 14 May 2010 (the "Adoption Date"). The terms of the Share Option Scheme are in compliance with the provisions of Chapter 17 of the Listing Rules.

(i) Purposes of the scheme

The purpose of the Share Option Scheme is to motivate the Eligible Persons (as mentioned in the following paragraph) an opportunity to have a personal stake in our Company and help motivate them to optimize their future performance and efficiency to our Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such Eligible

Persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of our Group, and additionally in the case of Executives (as defined below), to enable our Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

(ii) Conditions of the Share Option Scheme

The Share Option Scheme shall come into effect on the date on which the following conditions are fulfilled:

(a) subject to (b) and (c) below, the approval of all the shareholders of our Company for the adoption of the Share Option Scheme;

(b) the approval of the Stock Exchange for the listing of and permission to deal in, a maximum of 300,000,000 Shares to be allotted and issued pursuant to the exercise of the Options in accordance with the terms and conditions of the Share Option Scheme; and

(c) the commencement of dealing of the Shares on the Main Board of the Stock Exchange on the Listing Date.

(iii) Who may join

The Board may, at its absolute discretion, offer options ("Options") to subscribe for such number of Shares in accordance with the terms set out in the Share Option Scheme to:

(a) any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of our Group ("Executive"), any full-time or part-time employee, or a person for the time being seconded to work full-time or part-time for any member of our Group ("Employee");

(b) a director or proposed director (including an independent non-executive director) of any member of our Group;

(c) a direct or indirect shareholder of any member of our Group;

(d) a supplier of goods or services to any member of our Group;

(e) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of our Group;

(f) a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of our Group; and

(g) an associate of any of the persons referred to in paragraphs (a) to (c) above.

(the persons referred above are the "Eligible Persons")

The eligibility of any of the above class of participants to an offer for the grant of any option shall be determined by the Directors from time to time on the basis of the Directors' opinion as to his or her contribution to the development and growth of us.

(iv) Maximum number of the Shares

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of our Group shall not in aggregate exceed 300,000,000 Shares, representing 10% of the Shares in issue as of the Listing Date, excluding Shares which may fall to be issued upon the exercise of the Over-allotment Option (the "Scheme Mandate Limit") provided that:

(a) our Company may at any time as the Board may think fit seek approval from our Shareholders to refresh the Scheme Mandate Limit, save that the maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of our Company shall not exceed 10% of the Shares in issue as of the date of approval by Shareholders in general meeting where the Scheme Mandate Limit is refreshed. Options previously granted under the Share Option Scheme and any other schemes of our Company (including those outstanding, cancelled, lapsed or exercised in accordance with the terms of the Share Option Scheme or any other schemes of our Company) shall not be counted for the purpose of calculating the Scheme Mandate Limit as refreshed. Our Company shall send to our Shareholders a circular containing the details and information required under the Listing Rules.

(b) Our Company may seek separate approval from our Shareholders in general meeting for granting Options beyond the Scheme Mandate Limit, provided that the Options in excess of the Scheme Mandate Limit are granted only to the Eligible Person specified by our Company before such approval is obtained. Our Company shall issue a circular to our Shareholders containing the details and information required under the Listing Rules.

(c) The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of our Group shall not exceed 30% of our Company's issued share capital from time to time. No options may be granted under the Share Option Scheme and any other share option scheme of our Company if this will result in such limit being exceeded.

(v) Maximum entitlement of each participant

The maximum number of Shares issued and to be issued upon the exercise of the Options granted to any one Eligible Person (including exercised and outstanding Options) in any 12-month period shall not exceed 1% of the issued share capital of our Company from time to time. Where any further grant of Options to such an Eligible Person would result in the Shares issued and to be issued upon exercise of all Options granted and to be granted to such Eligible Person (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1 per cent. of the Shares in issue, such further grant shall be separately approved by the shareholders of our Company in general meeting with such Eligible Person and his associates abstaining from voting. Our Company shall send a circular to our Shareholders disclosing the identity of the Eligible Person, the number and terms of the Options to be granted (and Options previously granted) to such Eligible Person, and containing the details and information required under the Listing Rules. The number and terms (including the subscription price) of the Options to be granted to such Eligible Person must be fixed before the approval of our Shareholders and the date of the Board meeting proposing such grant shall be taken as the offer date for the purpose of calculating the subscription price of those Options.

(vi) Offer and grant of Options

Subject to the terms of the Share Option Scheme, the Board shall be entitled at any time within 10 years from the Adoption Date to offer the grant of an Option to any Eligible Person as the Board may in its absolute discretion select to subscribe at the subscription price for such number of Shares as the Board may (subject to the terms of the Share Option Scheme) determine (provided the same shall be a board lot for dealing in the Shares on the Stock Exchange or an integral multiple thereof).

(vii) Granting Options to Connected Persons

Subject to the terms in the Share Option Scheme, only insofar as and for so long as the Listing Rules require, where any offer of an Option is proposed to be made to a director, chief executive or a substantial shareholder (as defined in the Listing Rules) of our Company or any of their respective associates, such offer must first be approved by the independent non-executive Directors of our Company (excluding the independent non-executive Director who or whose associates is the grantee of an Option).

Where any grant of Options to a substantial shareholder (as defined in the Listing Rules) or an independent non-executive Director, or any of their respective associates, would result in the securities issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(a) representing in aggregate over 0.1% of the relevant class of securities in issue; and

(b) (where the securities are listed on the Stock Exchange), having an aggregate value, based on the closing price of the securities at the date of each grant, in excess of HK$5 million,

such further grant of Options must be approved by our Shareholders (voting by way of a poll). Our Company shall send a circular to Shareholders containing the information required under the Listing Rules. All Connected Persons of our Company must abstain from voting in favour at such general meeting.

Approval from our Shareholders is required for any change in the terms of Options granted to a participant who is a substantial shareholder or an independent non-executive Director, or any of their respective associates.

(viii) Offer period and number accepted

An offer of the grant of an Option shall remain open for acceptance by the Eligible Person concerned for a period of 28 days from the offer date provided that no such grant of an Option may be accepted after the expiry of the effective period of the Share Option Scheme. An Option shall be deemed to have been granted and accepted by the Eligible Person and to have taken effect when the duplicate offer letter comprising acceptance of the offer of the Option duly signed by the grantee together with a remittance in favour of our Company of HK$1 by way of consideration for the grant thereof is received by our Company on or before the date upon which an offer of an Option must be accepted by the relevant Eligible Person, being a date not later than 28 days after the Offer Date (the "Acceptant Date"). Such remittance shall in no circumstances be refundable.

Any offer of the grant of an Option may be accepted in respect of less than the number of Shares in respect of which it is offered provided that it is accepted in respect of board lots for dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer letter comprising acceptance of the offer of the Option. To the extent that the offer of the grant of an Option is not accepted by the Acceptance Date, it will be deemed to have been irrevocably declined.

(ix) Restriction on the time of grant of Options

The Board shall not grant any Option under the Share Option Scheme after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been announced pursuant to the requirements of the Listing Rules. In particular, no Option shall be granted during the period commencing one month immediately preceding the earlier of the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and the deadline for our Company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcements.

(x) Performance targets

Unless the Directors otherwise determined and stated in the offer for the grant of options to a grantee, a grantee is not required to achieve any performance targets before any options granted under the Share Option Scheme can be exercised.

(xi) Minimum holding period, vesting and performance target

Subject to the provisions of the Listing Rules, the Board may in its absolute discretion when offering the grant of an Option impose any conditions, restrictions or limitations in relation thereto in addition to those set forth in the Share Option Scheme as the Board may think fit (to be stated in the letter containing the offer of the grant of the Option) including (without prejudice to the generality of the foregoing) qualifying and/or continuing eligibility criteria, conditions, restrictions or limitations relating to the achievement of performance, operating or financial targets by our Company and/or the grantee, the satisfactory performance or maintenance by the grantee of certain conditions or obligations or the time or period before the right to exercise the Option in respect of all or any of the Shares shall vest provided that such terms or conditions shall not be inconsistent with any other terms or conditions of the Share Option Scheme. For the avoidance of doubt, subject to such terms and conditions as the Board may determine as aforesaid (including such terms and conditions in relation to their vesting, exercise or otherwise) there is no minimum period for which an Option must be held before it can be exercised and no performance target which need to be achieved by the grantee before the Option can be exercised.

(xii) Amount payable for Options

The amount payable on acceptance of an Option is HK$1.

(xiii) Subscription price

The subscription price in respect of any particular Option shall be such price as the Board may in its absolute discretion determine at the time of grant of the relevant Option (and shall be stated in the letter containing the offer of the grant of the Option) but the subscription price shall not be less than whichever is the highest of:

(a) the nominal value of a Share;

(b) the closing price of a Share as stated in the Stock Exchange's daily quotations sheet on the offer date; and

(c) the average closing price of a Share as stated in the Stock Exchange's daily quotation sheets for the five business days (as defined in the Listing Rules) immediately preceding the offer date.

(xiv) Exercise of Option

(a) An Option shall be exercised in whole or in part (but if in part only, in respect of a Board Lot or any integral multiple thereof) within the Option Period in the manner as set out in this Share Option Scheme by the grantee (or his legal personal representative(s)) by giving notice in writing to our Company stating that the Option is thereby exercised and specifying the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given. Within 30 days after receipt of the notice and, where appropriate, receipt of a certificate from our auditors pursuant to the Share Option Scheme, our Company shall accordingly allot and issue the relevant number of Shares to the grantee (or his legal personal representative(s)) credited as fully paid with effect from (but excluding) the relevant exercise date and issue to the Grantee (or his legal personal representative(s)) share certificate(s) in respect of the Shares so allotted.

(b) The exercise of any Option may be subject to a vesting schedule to be determined by the Board in its absolute discretion, which shall be specified in the offer letter.

(c) The exercise of any Option shall be subject to the members of our Company in general meeting approving any necessary increase in the authorized share capital of our Company.

(d) Subject as hereinafter provided and subject to the terms and conditions upon which the option was granted, an Option may be exercised by the grantee at the time during the option period, provided that:

(1) in the event that the grantee dies or becomes permanently disabled before exercising an Option (or exercising it in full), he (or his legal representative(s)) may exercise the Option up to the grantee's entitlement immediately prior to the death or permanent disability (to the extent not already exercised) within a period of 12 months following his death or permanent disability or such longer period as the Board may determine;

(2) in the event that the grantee ceases to be an Executive for any reason (including his employing company ceasing to be a member of our Group) other than his death, permanent disability, retirement pursuant to such retirement scheme applicable to our Group at the relevant time or the transfer of his employment to an affiliate company or the termination of his employment with the relevant member of our Group by resignation or termination on the ground of misconduct, the Option (to the extent not already exercised) shall lapse on the date of cessation of such employment and not be exercisable unless the Board otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as the Board may in its absolute discretion determine following the date of such cessation;

(3) if a general offer is made to all holders of Shares and such offer becomes or is declared unconditional (in the case of a takeover offer) or is approved by the requisite majorities at the relevant meetings of shareholders of our Company (in the case of a scheme of arrangement), the grantee shall be entitled to exercise the Option (to the extent not already exercised) at any time (in the case of a takeover offer) within one month after the date on which the offer becomes or is declared unconditional or (in the case of a scheme of arrangement) prior to such time and date as shall be notified by our Company;

(4) if a compromise or arrangement between our Company and its members or creditors is proposed for the purpose of or in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company, our Company shall give notice thereof to the grantees who have Options unexercised at the same time as it dispatches notices to all members or creditors of our Company summoning the meeting to consider such a compromise or arrangement and thereupon each grantee (or his legal representatives or receiver) may until the expiry of the earlier of:

i. the Option Period (in respect of any particular Option, the period commencing immediately after the business day (as defined in the Listing Rules) on which the Option is deemed to be granted and accepted in accordance with the Share Option Scheme and expiring on a date to be determined and notified by our Directors to each grantee provided that such period shall not exceed the period of 10 years from the date of the grant of a particular Option but subject to the provisions for early termination thereof contained in the Share Option Scheme);

ii. the period of two months from the date of such notice; or

iii. the date on which such compromise or arrangement is sanctioned by the court, exercise in whole or in part his Option.

(5) in the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it dispatches such notice to each member of our Company give notice thereof to all grantees and thereupon, each grantee (or his legal personal representative(s)) shall be entitled to exercise all or any of his options at any time not later than two business days (as defined in the Listing Rules) prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the business day (as defined in the Listing Rules) immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

(xv) Ranking of Shares

The Shares to be allotted upon the exercise of an option will be subject to all the provisions of the articles of association of our Company and the laws of Cayman Islands from time to time and shall rank pari passu in all respects with the then existing fully paid Shares in issue on the allotment date or, if that date falls on a day when the register of members of our Company is closed, the first date of the re-opening of the register of members and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the allotment date or, if that date falls on a day when the register of members of our Company is closed, the first day of the re-opening of the register of members, other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefore shall be before the allotment date.

A Share issued upon the exercise of an Option shall not carry rights until the registration of the grantee (or any other person) as the holder thereof.

(xvi) Life of Share Option Scheme

Subject to the terms of the Share Option Scheme, the Share Option Scheme shall be valid and effective for a period of 10 years from the Adoption Date, after which no further options will be granted or offered but the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any subsisting Options granted prior to the expiry of the 10-years period or otherwise as may be required in accordance with the provisions of the Share Option Scheme.

(xvii) Lapse of Share Option Scheme

An Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

(a) the expiry of the option period;

(b) the expiry of any of the period referred to paragraphs related to exercise of Option;

(c) subject to the period mentioned in paragraph headed "Exercise of Option" in this section, the date of the commencement of the winding-up of our Company;

(d) there is an unsatisfied judgment, order or award outstanding against the grantee or our Board has reason to believe that the grantee is unable to pay or to have no reasonable prospect of being able to pay his/its debts; or

(e) a bankruptcy order has been made against any director or shareholder of the grantee (being a corporation) in any jurisdiction.

No compensation shall be payable upon the lapse of any Option, provided that our Board shall be entitled in its discretion to pay such compensation to the grantee in such manner as it may consider appropriate in any particular case.

(xviii) Adjustments

In the event of any alteration to the capital structure of our Company while any Option remains exercisable, whether by way of capitalization of profits or reserves, rights issue, consolidation, reclassification, reconstruction, sub-division or reduction of the share capital of our Company, the Board may, if it considers the same to be appropriate, direct that adjustments be made to:

(a) the maximum number of Shares subject to the Share Option Scheme; and/or

(b) the aggregate number of Shares subject to the Option so far as unexercised; and/or

(c) the subscription price of each outstanding Option.

Where the Board determines that such adjustments are appropriate (other than an adjustment arising from a capitalization issue), the auditors appointed by our Company shall certify in writing to the Board that any such adjustments are in their opinion fair and reasonable, provided that:

(a) any such adjustments shall be made on the basis that the aggregate Subscription Price payable by the grantee on the full exercise of any Option shall remain as nearly as practicable the same as (but shall not be greater than) as it was before such event;

(b) no such adjustments shall be made the effect of which would be to enable a Share to be issued at less than its nominal value;

(c) any such adjustments shall be made in accordance with the provisions as stipulated under Chapter 17 of the Listing Rules and supplementary guidance on the interpretation of the Listing Rules issued by the Stock Exchange from time to time; and

(d) the issue of securities as consideration in a transaction shall not be regarded as a circumstance requiring any such adjustments.

(xix) Cancellation of Options not exercised

The Board shall be entitled for the following causes to cancel any Option in whole or in part by giving notice in writing to the grantee stating that such Option is thereby cancelled with effect from the date specified in such notice (the "Cancellation Date"):

(a) the grantee commits or permits or attempts to commit or permit a breach of the restriction on transferability of Option or any terms or conditions attached to the grant of the Option;

(b) the grantee makes a written request to the Board for the Option to be cancelled; or

(c) if the grantee has, in the opinion of the Board, conducted himself in any manner whatsoever to the detriment of or prejudicial to the interests of our Company or its subsidiary.

The Option shall be deemed to have been cancelled with effect from the Cancellation Date in respect of any part of the Option which has not been exercised as of the Cancellation Date. No compensation shall be payable upon any such cancellation, provided that the Board shall be entitled in its discretion to pay such compensation to the grantee in such manner as it may consider appropriate in any particular case.

(xx) Termination

Our Company may by resolution in general meeting at any time terminate the operation of the Share Option Scheme. Upon termination of the Share Option Scheme as aforesaid, no further Options shall be offered but the provisions of the Share Option Scheme shall remain in force and effect in all other respects. All Options granted prior to such termination and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Share Option Scheme.

(xxi) Transferability

The Option shall be personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any Option or attempt so to do (save that the grantee may nominate a nominee in whose name the Shares issued pursuant to the Scheme may be registered). Any breach of the foregoing shall entitle our Company to cancel any outstanding Option or part thereof granted to such grantee.

(xxii) Amendment

The Share Option Scheme may be altered in any respect by a resolution of the Board except that the following shall not be carried out except with the prior sanction of an ordinary resolution of our Shareholders in general meeting, provided always that the amended terms of the Scheme shall comply with the applicable requirements of the Listing Rules: (i) any material alteration to its terms and conditions or any change to the terms of Options granted (except where the alterations take effect under the existing terms of the Scheme); (ii) any alteration to the provisions of the Scheme in relation to the matters set out in Rule 17.03 of the Listing Rules to the advantage of grantee; and (iii) any alteration to the aforesaid termination provisions.

16. Estate duty and tax indemnity

The Controlling Shareholder has entered into a deed of indemnity with and in favour of our Company (for itself and as trustee for each of its present subsidiaries) to provide indemnities on a joint and several basis, in respect of, among other things:

(a) any taxation which might be payable by any member of our Group in respect of any income, profits or gains earned, accrued or received or alleged to have, or which are deemed to be earned or accrued or received on or before the Listing Date;

(b) any taxation claim which might be payable by any member of our Group under or by reason of any transfer of any property to any member of our Group or to any other person, entity or company made or deemed to have been made on or before the Listing Date; and

(c) all damages, losses and liabilities arising from or in connection with any property claim and/or any other liability claim to the extent that the events leading to such damages, losses and liabilities occurred prior to the Listing Date and any such damages, losses and liabilities are not paid by the insurer under any relevant insurance policy (if any).

Our Controlling Shareholder will however, not be liable under the deed of indemnity for taxation claim or liability to the extent that:

(a) provision, reserve or allowance has been made for such taxation in the audited accounts of any member of our Group for the three years ended 31 December 2009;

(b) such taxation or liability would not have arisen but for any act or omission by any member of our Group voluntarily effected without the prior written consent or agreement of the Controlling Shareholder, otherwise than in the ordinary course of business before the Listing Date or carried out, made or entered into pursuant to a legally binding commitment created on or before the Listing Date;

(c) such taxation or liability is discharged by another person and that no member of our Group is required to reimburse such person in respect of the discharge of the taxation or liability;

(d) our Company is primarily liable for such taxation or liability as a result of transactions entered into or pursuant to a legally binding commitment created in the ordinary course of business of any member of our Group after the Listing Date; or

(e) such claim arises or is incurred as a consequence of any retrospective changes in the law or regulation or the interpretation or practice thereof by the Hong Kong Inland Revenue Department or the tax authorities of the PRC, Cayman Islands, BVI or any other authority in any part of the world coming into effect after the Listing Date or such claim arises or is increased by an increase in rates of taxation after the Listing Date with retrospective effect.

17. Litigation

As of the Latest Practicable Date, neither our Company nor any of our subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against our Company or any of our subsidiaries, that would have a material adverse effect on the results of operations or financial condition of our Company.

18. Preliminary expenses

The preliminary expenses of our Company are approximately US$3,400 and are payable by our Company.

19. Agency fees or commissions received

The Underwriters will receive a commission of 3% of the aggregate Offer Price in respect of all the Offer Shares, out of which they will pay any sub-underwriting commissions and selling concessions. Such commission (which does not include the incentive fee of up to 1% of the Offer Price multiplied by the total number of Offer Shares that we may, at our sole discretion, choose to pay to either or both of the Joint Global Coordinators), together with the Stock Exchange listing fees, legal and other professional fees, and printing and other expenses relating to the Global Offering are estimated to amount in aggregate to approximately HK$110.4 million based on the minimum Offer Price of HK$2.60, and approximately HK$130.8 million based on the maximum Offer Price of HK$3.50 (both assuming no exercise of the Over-allotment Option), and will be payable by our Company.

20. Application for listing of Shares

The Joint Sponsors have made an application on behalf of our Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and any Shares which may be issued upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme on the Stock Exchange. All necessary arrangements have been made to enable the securities to be admitted into CCASS.

21. Qualifications of experts

The qualifications of the experts who have given opinions and/or whose names are included in this prospectus are as follows:

Name	Qualification
J.P. Morgan Securities (Asia Pacific) Limited	Registered under the SFO to carry on Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 7 (providing automated trading services) regulated activities under the SFO
UBS AG, Hong Kong Branch	Registered under the SFO to carry on Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance), Type 7 (providing automated trading services) and Type 9 (asset management) regulated activities under the SFO
Ernst & Young	Certified public accountants
Maples and Calder	Cayman Islands attorneys-at-law
Jun He Law Offices	Qualified PRC lawyers
CB Richard Ellis	Professional property surveyors and valuers

22. Consents of experts

Each of J.P. Morgan Securities (Asia Pacific) Limited, UBS, Ernst & Young, Maples and Calder, Jun He Law Offices and CB Richard Ellis has given and has not withdrawn its written consent to the issue of this prospectus with copies of its reports, valuation, letters or opinions (as the case may be) and the references to its names or summaries of opinions included herein in the form and context in which they respectively appear.

23. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance of it, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

24. Taxation of holders of Shares

(a) Hong Kong

Dealings in Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. The sale, purchase and transfer of Shares are subject to Hong Kong stamp duty, the current rate of which is 0.2% of the consideration or, if higher, the value of the Shares being sold or transferred.

Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) The Cayman Islands

Under present Cayman Islands law, transfers and other dispositions of Shares are exempt from Cayman Islands stamp duty.

(c) Consultation with professional advisers

Intending holders of Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in Shares or exercising any rights attaching to them. It is emphasized that none of our Company, the Directors or the other parties involved in the Global Offering can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares or exercising any rights attaching to them.

25. Miscellaneous

(a) Save as disclosed herein:

- (i) within two years preceding the date of this prospectus:
  - (aa) no share or loan capital of our Company or of any of our subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash; and
  - (bb) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries; and
  - (cc) no commission has been paid or payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure the subscriptions, for any shares in our Company or any of our subsidiaries; and
- (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.

(b) The Directors confirm that there has been no material adverse change in the financial or trading position or prospects of us since 31 December 2009 (being the date to which the latest audited consolidated financial statements of us were made up).

26. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided under section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were, amongst other documents, copies of the **WHITE**, **YELLOW** and **GREEN** application forms, the written consents referred to under "Appendix VI — Statutory and General Information — Other information — Consents of experts" and certified copies of the material contracts referred to in "Appendix VI — Statutory and General Information — Further Information about Business — Summary of material contracts".

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Fried, Frank, Harris, Shriver & Jacobson at 9th Floor, Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong, during normal business hours up to and including 18 June 2010:

(a) the memorandum of association and the Articles of Association;

(b) the accountants' report of our Company prepared by Ernst & Young, the text of which is set out in Appendix I to this prospectus;

(c) the consolidated audited accounts of our Group for each of the three financial years ended 31 December 2009;

(d) the letter from Ernst & Young in relation to the unaudited pro forma financial information of us, the text of which is set out in Appendix II to this prospectus;

(e) the letters prepared by J.P. Morgan Securities (Asia Pacific) Limited, UBS and Ernst & Young on the profit forecast for the six months ending 30 June 2010, the text of which are set out in Appendix III to this prospectus;

(f) the letter, summary of values and valuation certificate relating to the property interests of us prepared by CB Richard Ellis, the text of which is set out in Appendix IV to this prospectus;

(g) the Companies Law;

(h) the letter prepared by Maples and Calder summarising certain aspects of the Cayman Islands company law referred to in Appendix V to this prospectus;

(i) the legal opinions prepared by Jun He Law Offices in respect of certain aspects of us and the property interests of us in the PRC;

(j) the material contracts referred to under "Appendix VI — Statutory and General Information — Further Information about our Business — Summary of material contracts";

(k) the written consents referred to under "Appendix VI — Statutory and General Information — Other information — Consents of experts";

(l) the rules of the Pre-IPO Share Option Scheme;

(m) the list of grantees of options granted under the Pre-IPO Share Option Scheme;

(n) the rules of the Share Option Scheme; and

(o) the service contracts referred to in "Appendix VI — Statutory and General Information — Further Information about Directors and Shareholders — Directors".