In addition to other information in this Prospectus, you should carefully consider the following risk factors, which may not be typically associated with investing in equity securities of companies from other jurisdictions, before making any investment decisions in relation to the Offer Shares. If any of the possible risks described below materialize, our business, financial condition and results of operations could be materially and adversely affected and the market price of the Offer Shares could decrease significantly.

There are certain risks involved in our business and operations and in connection with the Global Offering. These risks can be categorized as: (i) risks relating to our business; (ii) risks relating to the PRC; and (iii) risks relating to the Global Offering.

Risks Relating to Our Business

Demand for our products is directly and indirectly affected by trends in oil and gas prices.

Our revenue is generated almost entirely from the sale of drilling rigs and rig parts and components. For the three years ended December 31, 2004, 2005 and 2006 and the eight months ended August 31, 2007, sales of drilling rigs alone accounted for 86.9%, 86.5%, 87.2% and 82.5%, respectively of our revenue. Demand for oilfield equipment and services is dependent on oil and gas exploration and production activity and capital expenditures of oil and gas producers, which in turn are largely dependent on current prices of, and future trends in, global oil and gas prices. Given our heavy reliance on our customers in the oil and gas drilling industry, our revenue is particularly sensitive to changes in global oil and gas prices. Oil and gas prices can fluctuate for a number of reasons, including and without limitation the following:

- changes in demand driven by growth in major economies;
- significant adoption of petroleum-alternative fuels;
- OPEC market activity;
- civil or political unrest in oil producing regions; and
- changes or breakdowns in oil supply infrastructure and production capacity.

A prolonged decline in global oil and gas prices, for these or other reasons, could directly or indirectly reduce the demand for our products and have a material adverse effect on our business, financial condition, and results of operations.

Our customers operate in a volatile industry, and their demand for our products may be affected by factors unrelated to movements in oil and gas prices.

Our customers are drilling contractors and companies involved in oil and gas exploration and production who operate in a volatile industry in which many markets or business factors independent of global oil and gas prices could affect their demand for our products. The factors that impact the demand for our products may include: the availability of drilling rigs or oversupply of drilling rigs in a given market or a given customer's rig fleet; the age or condition of a customer's or the market's existing drilling equipment; the under- or over-investment in drilling equipment by our customers or in their markets; the availability of or access to investment capital to invest in new equipment; the availability of drilling projects for our customers or their markets; and a customer's ability to compete for new projects. Further, the regions in which many of our customers operate are often volatile, and any political instability, hostilities or war within these regions could affect our customers' demand for our products. Factors specific or internal to our customers' businesses or the markets they operate in, as well as the global demand for oil and gas, are factors beyond our control and any decline in demand for our products due to any such factors could have a material adverse affect on our business, financial condition, and results of operations.

Fluctuations in raw material prices may adversely affect our business.

Our production process requires reliable sources of large quantities of raw materials. In particular, steel plays a prominent role in the construction of our rigs, as well as in the rig parts and components, such as hydraulics, diesel engines and AC variable-frequency motors, that we source from third parties. We generally procure raw materials and parts and components for production only after we have secured a sales contract for a product, and since we cannot alter the prices of our products under signed contracts unless the customer requests a change in design or configuration, we bear the risk associated with raw material cost fluctuations during a contract period. The price of steel has historically been subject to frequent price fluctuations and is also sensitive to supply disruptions, general economic conditions, and many other factors that are beyond our control. Given the prominence of steel in both the rig structures and the constituent parts and components of those rigs, whether produced internally or sourced from third parties, our cost structure is sensitive to fluctuations in the price of steel. According to Datastream, the spot price for medium steel plates (3-10mm), a common form for the delivery of raw steel and for indexing steel prices, fluctuated during the years ended December 31, 2004, 2005, and 2006 and 2007, as follows:

	Year ended December 31,			
	2004	2005	2006	2007
Low Price (US$/metric ton)	305	485	470	470
High Price (US$/metric ton)	535	580	525	605
Standard deviation	70.38	40.97	14.77	54.63

We expect the volatility and uncertainty of steel prices to continue. Although we do attempt to reflect steel and other raw material price fluctuations in the selling prices of our products, there can be no assurance that we will be able to reflect all increases in raw material costs in the selling prices of our products on a timely basis or at all. We have entered into strategic cooperation agreements with some suppliers that allow us to purchase raw materials at a favourable price that may be lower than the market price. According to such strategic cooperation agreements, we can enjoy favourable pricing, priority in after-sales services and a stable supply of raw materials from these suppliers, which reduces our exposure to fluctuations in the supply of some raw materials to some extent. We do not currently employ any additional commodity risk management strategies or engage in any hedging transactions to minimize our risks relating to fluctuations in the price of raw materials. If we are unable to reflect increases in the price of raw materials in the prices of our products, the operating results for our products may be materially and adversely affected.

We depend on third parties to deliver certain raw materials, components and services that meet our quality standards in a timely manner to manufacture our products.

We procure raw materials and some rig components, such as frequency converters and diesel engines, which account for a significant proportion of our cost of sales, mainly from external suppliers. We also employ third party contractors to process some specialty rig components. We currently source almost all of our basic steel inputs domestically from five suppliers operating primarily in Chongqing and Chengdu, while our externally supplied parts and components are typically manufactured in the United States, Finland, or Germany and are generally sourced through local distributors. We have no long-term contractual arrangements with most of our suppliers. Any sudden shortage of raw materials supply, increase in demand, price movements, or other factors internal to our contract suppliers may result in an interruption in such supply of raw materials and components. From time to time, we reject materials that do not meet our quality standards or other specifications. Such shortage of supply or rejection of materials may affect our manufacturing schedule, and we may have to source supplies from alternative suppliers at a higher price, which may delay the delivery of products to our customers. This, in turn, may result in us having to pay compensation to our customers and adversely affecting our reputation. In particular, to the extent that we are dependent on a sole supplier or a limited number of suppliers for a critical input, it will be difficult to replace such supplier. Any of the foregoing events could cause a delay in our delivery and an increase in our costs, which may have a material adverse effect on our business, financial condition and results of operations.

We rely on a limited number of customers.

We have been dependent on a limited number of customers for a significant portion of our revenues. Our top five customers, in the aggregate, accounted for 84.3%, 72.8%, 80.2% and 65.2% of our total revenue for the three years ended December 31, 2004, 2005 and 2006 and the eight months ended August 31, 2007, respectively. Over the same periods, four, six, two and six of our customers, respectively and individually accounted for greater than 5% of our revenues. There is no assurance that we will be able to retain these customers or that they will maintain their current level of business with us. If there is a reduction or cessation of orders from these customers for whatever reasons and we are unable to obtain, in substitution, suitable orders of a comparable size, due to contractual restrictions or otherwise, our business, financial condition and results of operations may be materially and adversely affected. In addition, our reliance on a limited number of customers exposes us to the risk that a contractual dispute with any single customer, either initiated by us or by such customer, could have a material impact on our business. Such a dispute in connection with the sale of any rig, or of rig parts and components, could result in the loss of such customer, the diversion of management attention and significant legal liabilities and other costs which, in turn, could have a material adverse affect on our business, financial condition and results of operations. In addition, any negative publicity associated with a contractual claim against us could result in reputational damage and, as a result, could reduce sales from other customers and potential customers.

We were involved in an arbitration proceeding with Nabors International, a major customer and a current shareholder of our Company.

Nabors International, a U.S.-based owner and operator of land and offshore drilling rigs in over 30 countries, is one of our major customers and a current shareholder of the Company. Our sales to Nabors Group, which comprises Nabors International among various other Nabors entities, accounted for 0%, 17.9%, 64.0% and 32.3% of our total revenue in 2004, 2005 and 2006 and the eight months ended August 31, 2007, respectively. We were involved in an arbitration proceeding with Nabors International arising from the Master Sales Agreement dated May 18, 2005 (the "MSA"), the Heads of Agreement dated August 9, 2005 (the "HOA") and other related documents between Nabors Group and us. Nabors International submitted a request for arbitration to the International Court of Arbitration in June 2007, claiming that we breached the MSA in the following respects: (a) we breached our obligation to afford Nabors International a right of priority in the allocation of our manufacturing capacity and a right of first refusal to purchase any drilling rigs manufactured by us for customers outside China or the former Soviet Union; (b) we failed to meet delivery deadlines for the drilling rigs manufactured for Nabors International; (c) the drilling rigs and certain of the spare parts we supplied to Nabors International had defects; (d) we did not reimburse Nabors International a portion of the value-added tax refunds we received from the Chinese government relating to the drilling rigs and spare parts supplied to Nabors International; (e) we failed to provide 30-day start-up technical assistance at initial field operating sites, as required under the MSA; and (f) we breached our obligations not to sell drilling rigs to any non-Chinese third parties at prices lower than those paid by Nabors International and not to sell drilling rigs to certain named competitors of Nabors International. Nabors International claimed damages of at least US$72 million, plus interest, relating to these alleged breaches.

In the same arbitration proceedings, Nabors International also alleged that we breached our obligation under the HOA and related documents in relation to Nabors International's contemplated direct investment in up to 50% of the total equity interests in the Company. Nabors International requested specific performance of our alleged obligations or, in the alternative, an award of damages of at least US$100 million.

Prior to our receipt of the request for arbitration from Nabors International, we had sent a written demand letter to Nabors International, demanding that Nabors International promptly pay us US$51.7 million, being the sum of all the payments that Nabors International owed us, as of June 15, 2007, for the drilling rigs and other related equipment and materials we provided to Nabors International and expenses we incurred in accordance with the MSA.

In October 2007, we and Nabors International settled the above contractual disputes in all respects. However, we cannot assure you that Nabors International will not bring other claims against us in the future. Any legal proceeding brought against us by Nabors International or brought by us against Nabors International could also result in substantial legal costs and damages, as well as resulting in damage to our reputation and the diversion of our management's attention, which in turn could have a material adverse affect on our business, financial condition and results of operations.

Our dispute with 64 individuals may materially and adversely affect our business and financial condition.

As of December 31, 2005, 728 employees of Oil Drilling Plant, through 11 representatives, collectively held 33.63% of Honghua Company's share capital. These 11 representatives were registered by the management of Honghua Company as shareholders of Honghua Company with the competent PRC government authority. On January 7, 2006, Honghua Company passed a shareholder resolution to reduce its registered capital and repurchase all of the equity interest held by these 11 registered shareholders. On January 12, 2006, Honghua Company entered into an equity repurchase agreement with the 11 registered shareholders, under which, with the written consent of such 11 registered shareholders, Honghua Company agreed to pay the equity repurchase price directly to the 728 employees. On April 26, 2006, the capital reduction filing with the competent PRC government authority was completed. As of the Latest Practicable Date, 664 of the 728 investing employees had agreed to the buy-out arrangement and accepted payment from Honghua Company. The remaining 64 individuals, who, collectively, invested RMB651,385, representing approximately 3.10% interest in Honghua Company before the buy-out arrangement, claimed that they were still shareholders of Honghua Company and refused to accept the buy-out arrangement and payment from Honghua Company. For the year ended December 31, 2005, the unaudited profit attributable to shareholders of Honghua Company was approximately RMB24.6 million. The unaudited net asset value of Honghua Company as of September 30, 2007 was RMB106.2 million.

Taking into account Honghua Company's change in capital structure since the buyout arrangement, these 64 investors would have held approximately 0.9% interest in Honghua Company at the time that the entire equity of Honghua Company was acquired by Asia Harbour and the capital was increased to RMB72.0 million (assuming their aggregate investment amount of RMB651,385 remained unchanged). For the eight months ended August 31, 2006, the unaudited profit attributable to shareholders was RMB89.3 million. The unaudited net asset value of Honghua Company as of August 31, 2006 was approximately RMB150.5 million. For the nine months ended September 30, 2007, the unaudited profit attributable to shareholders of Honghua Company was RMB248.8 million. The unaudited net asset value of Honghau Company as of September 30, 2007 was RMB803.2 million.

Our PRC legal advisor, King & Wood, has advised that as these 11 representatives were registered shareholders of Honghua Company, they were entitled to enter into and sign the said equity repurchase agreement with Honghua Company. Accordingly, we have been advised that the equity repurchase agreement was legally binding and enforceable against the 11 representatives who were parties to the equity repurchase agreements and that no consent or authority from the 728 employees was required under PRC law for entering into that equity repurchase agreement. Since the 64 individuals who refused to accept the buy-out arrangement were never registered as Honghua Company's shareholders with the competent PRC governmental authority, King & Wood has advised that there is no legal basis under PRC law for them to be regarded as shareholders of Honghua Company. On December 11, 2007, The People's Court of Chengdu City accepted the claim by 57 of these 64 individuals seeking an affirmation of their rights to the disputed shares, dividend entitlements in respect of the disputed shares, a declaration that the repurchase and cancellation of their equity interests were invalid, as well as an order that Honghua Company register the disputed shares at the Administration of Industry and Commerce. There were 16 defendants named in the statement of claim, with Honghua Company as the first defendant, Asia Harbour as the second defendant and 14 individuals including Shi Shuming (third defendant); Huang Dequan (fourth defendant), Li Yan (fifth defendant), Wang Yaoxin (sixth defendant), Zhou Tao (seventh defendant), Wang Wei (eighth defendant), Chen Zhenghua (ninth defendant), Yang Xuefeng (tenth defendant), Yang Yuanchun (eleventh defendant), Ni Xiurong (twelfth defendant), Yu Zhenghua (thirteenth defendant), Xing Manrong (fourteenth defendant), Zhi Rongmu (fifteenth defendant) and Liu Chuanjun (sixteenth defendant), as the third through sixteenth defendants. The third to thirteenth defendants were the 11 registered representatives at the time of the repurchase and the fourteenth to sixteenth defendants were three former registered representatives. Honghua Company was served with a writ notifying them of this claim on December 12, 2007. We can make no guarantee that this lawsuit will be resolved in our favor.

Although Ally Giant, Ample Chance, Wealth Afflux Limited, Mowbray Worldwide Limited, Ecotech Enterprises Corporation, Otama Company Limited, Vast & Fast Corporation, Cavendish Global Corporation, Airtech Investments Limited, Ally Smooth, Charm Moral, Beauty Clear, Brondesbury Enterprises Limited, Oriental Starz Limited, Tech Express Enterprises Inc, Dobson Global Inc, Darius Enterprises Limited, Believe Power, Benefit Way, Birdview, and the Existing Shareholders executed a deed of indemnity in respect of dispute and risk on February 15, 2008 (the "Indemnity Deed") to indemnify the Group for any damages arising in relation to any claim made by the 64 investors, any legal proceedings against us with respect to this dispute or any other could be time-consuming and costly to defend and could substantially divert our management's attention. If these legal proceedings or any other claim against us succeeds, such that we are required to transfer 0.9% of our equity interest in Honghua Company to the 64 investors, our shareholding in Honghua Company could be diluted by as much as 0.9%. In the event the court orders that the plaintiffs' shares in Honghua Company be reinstated, the shares in Honghua Company would be restored to the 57 plaintiffs by either Honghua Company issuing new shares to the 57 plaintiffs or Asia Harbour transferring existing shares in Honghua Company to the 57 plaintiffs. In any event, any damages arising out of the dispute with any of the 64 investors would be indemnified pursuant to the Indemnity Deed. If we are required to pay damages in lieu of such a share transfer, payment of damages, even if indemnified pursuant to the Indemnity Deed, could result in damage to our reputation and, as a result, our business and financial condition could be materially and adversely affected.

We face risks in maintaining and expanding our business overseas, including but not limited to, differences in legal and regulatory requirements, currency exchange rates, economic sanctions and changes in political and economic conditions, all of which could materially and adversely affect our business.

A significant portion of our products are exported to customers in North America, Russia, the Middle East, Africa, Asia and other oil and gas producing regions. For the three years ended December 31, 2004, 2005, and 2006 and the eight months ended August 31, 2007, our exports to North America accounted for 0.4%, 28.0%, 71.0%, and 34.0% of our revenue, respectively. Exports to the Middle East accounted for 0.0%, 0.0%, 11.2%, and 0.0% of our revenue over the same respective periods, while exports to other regions, including Africa, Asia (outside the PRC) and Russia, accounted for 2.5%, 3.4%, 1.0%, and 20.6% of our revenue during those periods, respectively. We have established business operations in Houston, Texas (USA), Cairo (Egypt) and Dubai (UAE) and we intend to continue to develop our overseas customer base. We face risks in expanding and maintaining our business in overseas markets, including, but not limited to:

- political instability in some oil and gas producing regions which may disrupt commercial activities;
- differences in legal and regulatory environments;
- the burden of complying with a variety of foreign laws and regulations, including delays or difficulties in obtaining import and export licenses, and with unexpected changes in the legal and regulatory environment, including changes to import and export regulations;
- actions which may be taken by foreign governments concerning trade restrictions and economic sanctions;
- reduced protection for intellectual property rights in some jurisdictions;
- labor disputes;
- longer accounts receivable collection periods and greater difficulty in accounts receivable collection;
- difficulties in entering new markets and establishing brand recognition, including reliance on local agents and distributors for our marketing and sales, and difficulties in obtaining required certifications for our products in overseas markets;
- differences in customers' or targeted customers' requirements for special drilling and services;
- difficulties and costs of staffing and managing multinational operations;
- changes in political and economic conditions;
- potentially adverse tax consequences, including tax consequences concerning intercompany pricing for transactions between separate legal entities within a group operating in different tax jurisdictions; and
- fluctuations in currency exchange rates.

Expanding our business overseas may require the deployment of additional human and financial resources to manage these risks, and both the additional outlay of resources and the risks themselves may have a material adverse impact on our business, financial condition and results of operations.

We may encounter unexpected difficulties in implementing our strategy for future growth.

As part of our business strategy, we plan to develop and introduce various new products into new markets over the next few years. For example, we plan to make significant investments in our offshore equipment manufacturing base to produce jack-up rigs and fixed rigs. Our future plans include entering into the offshore drilling rig market, which would involve acquiring land and coastline in Shanghai or neighboring provinces, investing in research and development and new equipment, and constructing new factories. We also plan to increase our land rig production capacity from 86 rigs in 2006 to 150 rigs in 2008. For more detail, see "Our Business — Business Strategies" and "Future Plans and Use of Proceeds" in this Prospectus. Our ability to implement our business plans depends on, among other things: our research and development of new technology and new products; availability of suitable land to expand our production sites; our ability to obtain any necessary Governmental or regulatory approval or licenses; our ability to identify, and the availability of, suitable strategic acquisition targets and joint venture partners; and the availability of our management, financial and other resources. There can be no assurance that we can achieve our planned expansion objectives in a timely manner, or at all. In addition, if growth in demand fails to match the future growth in our capacity, our capacity utilization rate may be adversely affected, and as a result, we may experience a lower rate of return on our investment than we initially anticipated.

We have experienced and will likely continue to experience significant growth in the scope and complexity of our operations and in the number of our employees. This growth has placed, and future growth will continue to place, a significant strain on our managerial, technical, financial, production, operational, and other resources. If we are unable to integrate the businesses we acquire, or if we fail to manage and monitor our growth and expansion effectively, our future business, financial condition and results of operations may be materially and adversely affected.

We may experience difficulties in integrating our acquisitions, and there are inherent risks associated with our acquisitions policy.

As part of our Reorganization, we acquired Hongtian Company and Youxin Company. We anticipate making additional strategic acquisitions in order to expand into manufacturing other components and into other oilfield service equipment segments. However, there can be no assurance that we will be able to identify appropriate acquisition targets or continue to acquire businesses on satisfactory terms, or that any business acquired by us will be integrated successfully into our operations or that we will be able to operate such, business profitably. Acquisitions involve numerous risks, including difficulties in assimilating operations, technologies, services and products of the acquired businesses, personnel, revenue and the diversion of management attention from other business concerns. Failure to achieve the desired level of synergies in the context of any acquisitions could have a material adverse effect on our business, financial condition and results of operations.

There is no assurance that our new products will achieve market acceptance by our customers.

The market for our products is characterized by continuous technological developments to provide better performance in increasingly greater depths and harsher conditions. We have invested significant resources into research and development of new products to cater to market requirements by spending RMB1.2 million, RMB5.2 million, RMB16.2 million, and RMB14.1 million for the three years ended December 31, 2004, 2005, and 2006 and the eight months ended August 31, 2007, respectively, on research and development. Our research and development efforts are directed at product innovation as well as the development of more efficient production and management processes. However, there can be no assurance that the market will accept or demand these new products when we introduce them. In addition, there can be no assurance that our competitors will not develop newer or cheaper alternatives to our own products or devise more efficient and advanced production techniques that could lower their per unit production costs. In the event our research and development fails to yield commercially viable products, lead to more efficient production, or otherwise provide a return on our investment, our business, financial condition and results of operations may be materially and adversely affected. Also, if we are unable to keep up with technological and other innovations in the industry in which we operate, we may ultimately suffer market share losses that could materially and adversely affect our business, financial condition, and results of operations.

Our interests may conflict with those of the Controlling Shareholders, who may take actions that are not in, or may conflict with, our or our public shareholders' best interests.

Before and immediately after the Global Offering, our Chairman and 19 other individual shareholders, acting in concert, will remain as our Controlling Shareholders, with substantial control over our issued share capital. Accordingly, subject to our Memorandum and Articles of Association and the Cayman Islands Companies Law, these 20 shareholders, by virtue of their controlling ownership of our share capital as well as their positions on our Board, will be able to exercise significant control, or exert significant influence over, our business or other matters of significance to us and other shareholders by voting at the general meetings of shareholders or at the Board of Directors' meetings, including, but not limited to, any shareholder approvals for the election of its Directors, the selection of our senior management, the amount of dividend payments, increases or decreases in our share capital, new securities issuance, mergers and acquisitions and any amendments to our bylaws.

Although some of the Controlling Shareholders are Directors of our Company, the voting power and other rights of the Controlling Shareholders will not be affected by their capacity as Directors. The Controlling Shareholders are free to exercise their votes according to their interests, which may differ from the interests of other shareholders.

If we lose one or more of our key personnel without obtaining adequate replacements in a timely manner or if we are unable to retain and recruit skilled personnel, then our operations could be disrupted and the growth of our business could be delayed or restricted.

Our success depends on the continued service of our key executive officers, particularly, Mr. Zhang Mi, the Chairman, and Mr. Liu Zhi, Mr. Ren Jie and Mr. Luo Qiping, our vice-presidents. We do not carry key person insurance on any of our personnel. We have conditionally adopted a share option scheme to retain these key personnel. See "Appendix VII–Statutory and General Information–Share Option Scheme" in this Prospectus. If we lose the services of any of our key executive officers, it may be difficult to attract and integrate adequate replacement personnel into our operations in a timely manner, which, in turn, could disrupt our operations and the growth of our business.

Many of the rig products we sell are complex and highly engineered, and we also provide technical training and other services to our customers. We believe our success depends upon our ability to recruit and retain technical personnel with the ability to design, unitize and enhance our products. Our demand for skilled workers is high, and the supply is limited. We have invested significant resources in training our technical personnel, and we expect to increase our outlays to expand our oilfield service and equipment business. We have already faced high demand and increasing wages for labor serving our overseas operations. Significant increases in wages paid by competing employers could result in a reduction of our skilled labor force, and/or increases in the wage rates that we must pay. If any such events were to occur, our cost structure may increase and our growth potential may be impaired which in turn could have a material adverse effect on our business, financial condition and results of operations.

Loss of or failure to renew the API Monogram or other licenses certifying that our products meet benchmark quality standards could materially and adversely affect our business.

We have been granted licenses to put the API Monogram on certain of our products, which certifies the satisfaction of the API quality standard for those products. In the petroleum machinery industry, the API Monogram signifies that a product meets the standard quality requirements set by most oil producers operating worldwide. Virtually all of the products we sell contain parts or components bearing the API Monogram, and we consider the API Monogram to be critical to our sales efforts. The API licenses have to be renewed every three years. During the examination process for the application and renewal of such licenses, API sends its technical staff to audit our manufacturing facilities and our production management. We have obtained all three API licenses that are applicable to our products. Each of these licenses will expire on July 6, 2008. There can be no assurance that renewal for such licenses will be successful.

In the event that we do not obtain or renew any such licenses, our ability to market our products may be adversely affected, and our sales volume may be reduced. As a result, our business, financial condition and results of operations may be materially and adversely affected.

We may rely on independent third-party distributors to obtain the relevant licenses and/or certifications required to distribute our products within other jurisdictions.

We may rely on independent third-party distributors to obtain certain local licenses and/or certifications required for our exported products to be distributed within other jurisdictions, such as in Russia. In Russia, the satisfaction of local distribution requirements is currently handled by our independent third-party distributor there. Our Russian local distributor, Izhdrill-Honghua, has obtained three National Standard Certification System certificates, issued by Izhevsk Standard Institution for our products, which will expire in May 2009. There can be no assurance that our independent third-party distributors, in Russia or elsewhere, will be able to renew or obtain the necessary certifications or otherwise meet the requirements of the applicable local laws, rules or regulations. Further, since we have no direct control over independent third-party distributors, there can be no assurance that any such distributors will seek to renew or obtain any necessary certifications in a timely manner, or at all.

In the event that any independent third-party distributors we rely upon do not obtain or renew any necessary certifications in a timely manner or at all, we may not be able to participate in certain significant bidding and tender activities, and our export volume may be reduced. As a result, our business, financial condition and results of operations may be materially and adversely affected.

We may not be able to enforce our own intellectual property rights or may be subject to claims from third parties for infringement of their intellectual property rights.

At present, we hold seven patents granted by the relevant PRC authorities for intellectual property developed for and used in our products or in our manufacturing process. We rely on a combination of patents, trademarks, know-how and contractual rights to protect our proprietary technology and intellectual property. There can be no assurance that these measures will be sufficient to prevent any misappropriation of our intellectual property, or that our competitors will not independently develop alternative technologies that are equivalent or superior to technologies which are based on our intellectual property. The legal regime governing intellectual property in China is still evolving, and the level of protection of intellectual property rights in China differs from the levels of protection available in other jurisdictions. In the event that the steps we have taken and continue to take and the protection afforded by law do not adequately safeguard our proprietary technology, then our business, financial condition and results of operations may be materially and adversely affected.

We have never received notice of any claims by third parties, alleging that we have infringed such third parties' intellectual property rights. There can be no assurance that any such claim will not be initiated, or that we would prevail in any legal proceedings arising from such a claim, such as seeking damages or an injunction against the sale of our products. If we face such a claim, our business, financial condition and results of operations could be materially and adversely affected.

Our business and reputation may be affected by product liability claims, litigation, complaints or adverse publicity in relation to our products.

If equipment manufactured by us fails to perform as expected, or proves to be defective and results in our customer's financial losses and/or personal injuries, then we may be subject to claims for compensation. Some of our new products, such as our arctic rigs, are being manufactured according to the orders from our customers, but have never been put in operation before. There can be no assurance that we will not be exposed to future product liability claims. Though we maintain insurance coverage to the extent we believe is customary in our industry, we have currently not taken out product liability insurance and have not implemented any other protection scheme. 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, such failure or defects, and any complaints or negative publicity resulting therefrom, could result in decreased sales of these or our other products, and we may also be subject to product liability claims and litigation. To this end, we may incur significant legal costs regardless of the outcome of any claim of alleged defect. If we face any product liability claims, our business, financial condition and results of operations may be materially and adversely affected.

The manufacturing processes for our products are complex and potentially hazardous, and we may not maintain sufficient insurance coverage for the risks associated with the operations of our business.

Our business operations, particularly our manufacturing activities, involve risks and occupational hazards that are inherent to the manufacturing industry and which may not be completely eliminated through the implementation of preventive measures. These risks could result in personal injury, damage to or destruction of properties or production facilities, environmental damage, business interruption, legal liability, damage to our business reputation and corporate image, and/or fatalities. Currently, we only maintain mandatory social security insurance for our employees in accordance with the requirements of the relevant PRC laws and regulations which covers industry injury.

Though we maintain insurance coverage to the extent we believe is customary in our industry, we do not maintain any insurance coverage for third party liability, business interruption or environmental or other damage arising from accidents on our property or relating to our operations other than those relating to our vehicles. Our business, financial condition and results of operations may be materially and adversely affected if we incur any loss which is not covered by our insurance policies or if the amount of such loss exceeds the aggregate amount of our insurance coverage.

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

We declared dividends in the amount of RMB2.2 million, RMB1.6 million and RMB19.5 million in the three years ended December 31, 2004, 2005 and 2006, respectively. There can be no assurance that in the future we will pay dividends at a similar level to the past or at all, and potential investors should be aware that the amount of dividends we paid in the past should not be used as a reference or basis upon which future dividends are determined. Whether dividends will be distributed and the amount to be distributed, will depend on factors such as our profitability, financial condition, business development requirements, future prospects and cash requirements. Any declaration and payment, as well as the amount of dividends, will be subject to our constitutional documents and the Cayman Islands Companies Law, including the approval of our shareholders or our Directors. There can be no assurance that we will make any dividend payments on our ordinary shares in the future.

Any change in the preferential tax treatment we currently enjoy in the PRC may have an adverse impact on our results of operations.

Under current PRC laws, income generated by companies in China is subject to PRC income tax. The usual statutory PRC enterprise income tax rate is 33% of taxable income, as determined in accordance with the relevant PRC income tax laws and regulations. However, PRC state and local tax laws provide for a number of preferential tax treatments for different enterprises, industries, and locations. Some of our subsidiaries are currently enjoying various preferential income tax rates. Any change in the preferential tax treatment in the PRC may have an adverse impact on our results of operations.

On March 16, 2007, the National People's Congress passed a new Enterprise Income Tax Law. The Enterprise Income Tax Law, effective January 1, 2008, imposes a single uniform income tax rate of 25% for most domestic enterprises and foreign-invested enterprises. It contemplates various transition periods and measures for existing preferential tax policies, including among others, a grace period for as long as five years for foreign-invested enterprises which are currently entitled to a lower income tax rate, and continued implementation of preferential tax treatment with a fixed term until the expiration of such fixed term. As a foreign-invested company, Honghua Company was entitled to a preferential income tax rate of 3% from October 1, 2006, to December 31, 2007, and will be subject to a preferential income tax rate of 18% starting at the outset of 2008 and lasting for three years. Our PRC legal advisor, King & Wood, has advised us that the preferential treatment Honghua Company presently enjoys will continue under the new Enterprise Income Tax Law. We expect that our Group's tax payment will increase in 2008 and will further increase following the expiry of the above preferential tax treatment in December 2010.

Under the new Enterprise Income Tax Law, if any enterprise incorporated outside the PRC has its "actual management organization" located within the PRC, such enterprise may be recognized as a PRC tax resident enterprise and be subject to the unified enterprise income tax rate of 25%. On December 6, 2007, the Implementation Rules of the Enterprise Income Tax Law were promulgated. It defined the "actual management organization" as an organization actually managing and controlling an enterprise's production, operation, personnel, finance and assets. We cannot rule out the possibility that members of our Group which are not incorporated in the PRC may be recognized as a PRC tax resident by the PRC taxation authorities enterprise, in the future. According to the new Enterprise Income Tax Law, dividends received by a qualified PRC tax resident from another PRC tax resident are exempted from enterprise income tax. However, given the short history of the new Enterprise Income Tax Law and the detailed qualification requirements for receiving an exemption therefrom, it remains unclear whether dividends declared and paid by members of our Group in the PRC to our overseas holding company will be exempted from enterprise income tax, or if they will be recognized as PRC tax residents and taxed accordingly. Our financial condition may be materially and adversely affected if such dividends are subject to enterprise income tax.

We may be unable to renew our membership with the China Petroleum Exploration and Development Equipment Supply Network and the List of Sinopec Suppliers.

We have been a member of the China Petroleum Exploration and Development Equipment Supply Network, a group organized and authorized by the China Petroleum Material & Equipment Corporation (a wholly-owned subsidiary of CNPC), since 2001, and a member of the List of Sinopec Suppliers (a group authorized by the Sinopec Market and Equipment Department), since 2003. Such memberships are necessary for us to sell our products to the subsidiaries or branch oilfields of CNPC and Sinopec, which have been our major customers in China. Our sales to the subsidiaries or branch oilfields of CNPC and Sinopec accounted for approximately 93.8%, 62.3%, 14.5% and 36.3% of our revenue for the three years ended December 31, 2004, 2005 and 2006, and the eight months ended August 31, 2007, respectively.

Our membership in the List of Sinopec Suppliers has no expiration date. Sinopec maintains an evaluation system to examine the performance of its network suppliers, including the product quality, product price, delivery and after-sales service. A supplier's membership may be suspended if it, among other things, delays in delivery, has operational problems, is unable to provide after-sales service, is involved in litigation with an affiliate of Sinopec, or the products it provided fail to meet relevant quality standards. Sinopec will terminate the supplier's membership if such supplier provided fraudulent information on a membership application, has unsatisfactory financial results, or is unable or refuses without reason to perform its contractual obligations. Our membership in the China Petroleum Exploration and Development Equipment Supply Network will expire in October 2009. China Petroleum Material & Equipment Corporation will hold an evaluation meeting before the expiration date and inform us as to renewal of our membership after the meeting. In the event that our membership is suspended or terminated by Sinopec, or we are unable to renew our membership with the China Petroleum Exploration and Development Equipment Supply Network, then our business, financial condition and results of operations may be materially and adversely affected.

We may be unable to obtain adequate financing to fund our capital requirements.

We have in the past funded our capital expenditures primarily by cash generated from our operations, the issuance of convertible bonds and through credit facilities. There can be no assurance that cash generated from our operations will be sufficient to fund our future development and expansion plans. For us to grow and remain competitive, we may require new capital in the future. There can be no assurance that such additional financing will be available to us on reasonable terms or at all. Our ability to obtain additional capital in the future is subject to a variety of uncertainties beyond our control, including market conditions, credit availability and interest rates. If we are unable to raise sufficient capital in the future on commercially acceptable terms, we may have to abandon, delay, or postpone certain of our planned capital expenditures. Our inability to finance our planned capital expenditures could adversely affect our business, financial condition, results of operations. In addition, the terms and amount of capital raised through issuing equity securities may significantly dilute the interests of shareholders.

Any amendment to or failure to comply with environmental protection laws, promulgated by the PRC or other jurisdictions, to which we or our products are subject, could create a substantial financial burden on the Company.

Our operations are subject to environmental protection laws and regulations promulgated by national, provincial and/or local environmental protection authorities in China, or other jurisdictions in which we or our products are located, and we have been taking measures to comply with such laws in all material respects. There can be no assurance that we are not, and will not be in the future be, in violation of any environmental protection regulations. Any amendment of existing environmental laws or regulations may impose additional, more stringent requirements relating to environmental protection. Our compliance with existing environmental laws, or any new laws or regulations, as well as any failure to meet the requirements of any of such laws, may require us to incur significant capital expenditures or other obligations or liabilities, which could create a substantial financial burden on us, and could have a material adverse effect on our business, financial condition and results of operations.

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

Our industry is competitive, with multiple global and domestic competitors. If we are unable to compete effectively in the market, our business may be materially and adversely affected. Some of our potential competitors may have longer operating histories than ours, stronger relationships with their customers, greater brand recognition, or greater financial, technical, marketing and public relations resources than we have, and, as a result, they may be able to acquire some of our customers. 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, then our sales, market share, and results of operations could be materially and adversely affected.

Our operations are vulnerable to significant operating hazards, natural disasters and other circumstances, which are beyond our control and for which we have limited or no insurance.

Though we maintain insurance coverage we believe to be adequate based on the industry we operate in, we may not be fully covered, or covered at all, for certain circumstances that are beyond our control. Transportation disruptions, power shortages, weather, natural disasters, unexpected maintenance problems, destruction of or damage to our production facilities, equipment or products, labour shortages, industrial accidents, and other matters beyond our control are some of the factors that may significantly disrupt the operations of our business or cause a cessation in production at our production facilities. Any of these could have a material adverse effect on our business, financial condition and results of operations.

If our joint venture partners act contrary to our interests, our business may be materially and adversely affected.

In Egypt, we have a 50% equity interest in a joint venture we established with three different Egyptian enterprises. Under the joint venture agreement, we must obtain consent from our joint venture partners before we can cause the joint venture to make or implement business development decisions or to distribute profits to shareholders. If our joint venture partners hold different views from our own, or act in a way contrary to our interests, the joint venture may face difficulties in its operations and our interests in the joint venture may be harmed.

We may incur significant costs in relation to warranties offered to our domestic PRC customers.

We allow our domestic PRC customers to withhold a fractional amount of the purchase price for our products for one year as a warranty provision against any major quality defects in the products we have delivered. The payment amount retained by the purchaser, which is generally 5% of the purchase price, amounted, in aggregate, to RMB54.1 million, RMB25.1 million, RMB29.4 million and RMB50.4 million, respectively, as of December 31, 2004, 2005 and 2006 and as of August 31, 2007. The warranty arrangement requires this retention money to be paid to us if our products do not have any major quality problem during the one-year warranty period. For the three years ended December 31, 2004, 2005 and 2006 and the eight months ended August 31, 2007, we recovered substantially all of the money retained by our customers pursuant to this warranty provision as it came due, and we currently expect to collect all such amounts outstanding as of the date hereof with the exception RMB 420,000, representing 0.83% of the total retention money as at August 31, 2007, which has been written off as bad debt. There can be no assurance, however, that we will recover all or any of the amounts retained by purchasers for warranty purposes in the future. If we are unable to recover a significant proportion of the amounts retained by our customers as warranties, our future business, financial condition and results of operations may be materially and adversely affected.

Risk Factors Relating to the PRC

Adverse changes in China's economic, political, and social conditions, as well as governmental policies could have a material adverse effect on China's overall economic growth, which in turn, could materially and adversely affect our business, financial condition and results of operations.

The Chinese economy differs from the economies of most developed countries in many respects, including: (i) structure; (ii) level of governmental involvement; (iii) level of development; (iv) growth rate;

(v) control of foreign exchange and capital flows; and (vi) allocation of resources. The Chinese economy is in transition from a planned economy to a market economy. For the past two decades, the PRC government has implemented economic reform measures, emphasizing the utilization of market forces in the development of the Chinese economy. There can be no assurance that any changes in China's political, economic and social conditions, laws, regulations and policies will not have a material adverse affect on our current or future business, financial condition and results of operations. In response to concerns regarding China's high growth rate in industrial production, bank credit, fixed investment and money supply, the PRC government has, from time to time, taken measures to slow down economic growth to a more sustainable level. These measures and any additional tightening measures could contribute to a slowdown in the Chinese economy, which would materially and adversely affect our business, financial condition, and results of operations.

Changes in foreign exchange regulations and future movements in the exchange rate of Renminbi may adversely affect the financial condition and results of operations of our Company and our ability to pay dividends.

Recent foreign exchange regulations have significantly reduced the PRC Government's foreign exchange controls on routine transactions under the current account, including trade-and service-related foreign exchange transactions and payment of dividends. Under the existing foreign exchange regulations in the PRC, following completion of the Global Offering, we will be able to pay dividends in foreign currencies, without prior approval from SAFE, by complying with certain procedural requirements. There can be no assurance that these foreign exchange regulations regarding payment of dividends in foreign currencies will continue in the future.

We conduct our operations primarily in the PRC and incur costs mainly in Renminbi. Renminbi is also the reporting currency for our financial statements. However, a significant portion of our revenue is derived from overseas sales, which are denominated in foreign currencies. For the three years ended December 31, 2004, 2005 and 2006, and the eight months ended August 31, 2007, our overseas sales that were denominated in foreign currencies accounted for approximately 2.8%, 31.5%, 83.5% and 54.6% of our revenue, respectively. As a result, our operations are exposed to the fluctuation in exchange rates of the Renminbi against foreign currencies. Since 1994, the conversion of Renminbi into foreign currencies, including Hong Kong dollars and U.S. dollars has generally been stable. As of July 21, 2005, the Renminbi was no longer pegged to the U.S. dollar, but to a basket of currencies. This resulted in an appreciation of the Renminbi against the U.S. dollar and the Hong Kong dollar by approximately 2% on that date, and approximately an additional 14% since that date until January 18, 2008. The relaxation of the RMB-U.S. dollar peg may contribute to the volatility of, or increased fluctuations in the value of, the Renminbi. Further appreciation of the Renminbi may cause our exported products to be relatively more expensive than those of our competitors, which could have an adverse impact on our overseas sales and may cause imported products, which compete with our products, to be relatively less expensive for Chinese customers. This could have a material adverse effect on our business, financial condition, and results of operations. Conversely, any depreciation of the Renminbi would adversely affect the value of any dividends payable on the Shares by us in foreign currency terms.

In 2005 and 2006, we purchased certain foreign currency derivative financial instruments to hedge against fluctuations in the exchange rate for Renminbi. We did not record any loss for this activity during the Track Record Period. We currently do not have any other hedging activities, or unrecorded losses associated with previous hedging transactions. We may engage in hedging activities in the future when we set up our hedging policy and risk management systems. There can be no assurance that hedging transactions will protect us against fluctuations in the exchange rate for Renminbi, or that our risk management systems can prevent losses arising from hedging transactions.

Our operations are subject to the uncertainties of the PRC legal system.

The PRC legal system is a civil law system based on written statutes. Unlike common law systems, it is a system in which decided legal cases have little value as precedents in subsequent legal proceedings. In 1979, the

PRC government began to promulgate a comprehensive system of laws and regulations governing economic matters in general, and forms of foreign investment (including wholly foreign-owned enterprises and joint ventures) in particular. These laws, regulations and legal requirements are relatively new and are often changing, and their interpretation and enforcement involve significant uncertainties that could limit the reliability of the legal protections available to us. We cannot predict the effects of future developments in the PRC legal system. We may be required in the future to procure additional permits, authorizations and approvals for our existing and future operations, which may not be obtainable in a timely fashion or at all. An inability to obtain such permits or authorizations may have a material adverse affect on our business, financial condition and results of operations.

The payment of dividends by our operating subsidiaries in China is subject to restrictions under PRC law.

We are a holding company established in the Cayman Islands and we operate our core business through our subsidiaries and associated companies, mainly in China. PRC laws require that dividends be paid only out of net profit, calculated according to PRC accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including IFRS and U.S. GAAP. PRC law requires foreign-invested enterprises, including some of our subsidiaries in China, to set aside part of their net profit as statutory reserves. These statutory reserves are not available for distribution as cash dividends. Since the availability of funds to pay dividends to our shareholders and to service our indebtedness depends upon dividends received from these subsidiaries, any restrictions on the availability and usage of our major source of funding may impact our ability to pay dividends to our shareholders and to service our indebtedness.

It may be difficult to serve process within the PRC or to enforce any judgments obtained from non-PRC courts against us or our Directors.

Most of our subsidiaries are incorporated in the PRC, our Executive Directors currently reside within the PRC, and a substantial portion of our assets are located within the PRC. The PRC does not currently have treaties providing for the reciprocal recognition or enforcement of judgements of courts located in the United States, the United Kingdom, Singapore, Japan and most other Western countries. An Arrangement between the Mainland and Hong Kong Special Administrative Region on Reciprocal Recognition and Enforcement of Judgments of Civil and Commercial Cases under the Jurisdictions as Agreed to by the Parties Concerned was executed on July 14, 2006. However, there are many restrictions on such arrangement. As a result, it may not be possible for investors to effect service of process upon our subsidiaries or our Directors pursuant to the authority of non-PRC courts. Further, the recognition and enforcement in the PRC of judgments of courts outside the PRC might be difficult or impossible.

An occurrence of a widespread public health problem, such as SARS or avian influenza, could have a material adverse effect on our results of operations.

The outbreak of SARS in early 2003 led to a significant decline in travel volume and business activities and substantially affected businesses in Asia. We are unable to forecast the potential impact of another SARS outbreak or an outbreak of any other serious contagious disease. There has recently been a relatively-small number of documented cases of humans contracting avian influenza in China and across Asia, many of which have resulted in fatalities. Another outbreak of SARS, or an outbreak of avian influenza or any other serious contagious disease, may result in another economic downturn and, consequently, our business, financial condition and results of operations may be materially and adversely affected.

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

The Provisions on the Acquisition of Domestic Enterprises by Foreign Investors (2006 Revision) (關於外國投資者並購境內企業的規定) (the "M&A Provisions"), effective from September 8, 2006, provide the rules with which foreign investors must comply if they are seeking to acquire shares in a non-foreign funded enterprise, whether through a purchase agreement with existing shareholders or through a direct subscription from the Company, that would result in that company becoming a foreign-funded enterprise. The M&A Provisions further require that the business scope of the resultant foreign-funded enterprise conform to the Foreign Investment Industrial Guidance Catalogue (外商投資產業指導目錄), and restrict its market access. Procedures for acquiring equity interests of domestic companies are also provided in the M&A Provisions.

Our PRC legal advisor, King & Wood, has advised us that we have complied with the relevant PRC laws and regulations for our Reorganization and the Global Offering. However, the PRC authorities could enact new rules to retroactively enforce the M&A Provisions, in which case we may be required to obtain additional government approvals or be subject to other consequences. In addition, there are uncertainties as to how the recent M&A Provisions will be interpreted and implemented. If we decide to acquire a PRC company, there can be no assurance that we or the owners of such PRC company can successfully obtain all necessary approvals required by the M&A Provisions. This may restrict our ability to expand our business in China and materially and adversely affect our business and prospects.

Risks Relating to the Global Offering

There has been no prior public market for our Shares.

Prior to the Global Offering, there was no public market for our Shares. The initial Offer Price range to the public for our Shares was the result of negotiations among us and the Joint Global Coordinators on behalf of the Underwriters, and the Offer Price may differ significantly from the market price for our Shares following the Global Offering. We have applied to list and deal in our Shares on the Stock Exchange. However, a listing on the Stock Exchange does not guarantee that an active market for our Shares will develop following the Global Offering or in the future. If an active market for our Shares does not develop after the Global Offering, the market price and liquidity of our Shares may be materially and adversely affected. There can be no assurance as to the ability of the Shareholders to sell their Shares, or as to the prices at which Shareholders would be able to sell their Shares. Consequently, Shareholders may not be able to sell their Shares at prices equal to or greater than the price paid for their Shares in the Global Offering.

Our Share price may be highly volatile, which may result in substantial losses for investors purchasing Shares in the Global Offering.

The price and trading volume of our Shares may be highly volatile. Factors such as variations in our revenues, earnings, or cash flows, and announcements of new investments, strategic alliances or acquisitions, or fluctuations in market prices for raw materials, could cause the market price of our Shares to change substantially. Any such developments may result in large and sudden changes in the volume and price at which our Shares will trade. There can be 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, and shares of other heavy equipment manufacturers, have experienced substantial price volatility in the past. It is possible that our Shares will be subject to substantial changes in price that may not be directly related to our financial or business performance.

You may experience difficulties in enforcing your shareholder rights because we are incorporated under Cayman Islands law, which may provide less protection to minority shareholders than the laws of Hong Kong and other jurisdictions.

Our corporate affairs are governed by, inter alia, our Memorandum and Articles of Association, Cayman Islands Companies Law and common law of the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those in Hong Kong and other jurisdictions. Such differences may mean that our minority shareholders may have less protection than they would have under the laws of Hong Kong or other jurisdictions. For example, the Cayman Islands Companies Law does not contain an express provision which is equivalent to section 168A of the Companies Ordinance which provides a remedy for shareholders who have been unfairly prejudiced by the conduct of the company's affairs. See ''Summary of the Constitution of our Company and Cayman Islands Company Law'' in Appendix VI to this Prospectus.

Future sales or a major divestment of Shares by any major shareholder could adversely affect our Share price.

Future sales, disposals, or other transfers of a substantial number of our Shares by our current shareholders in public markets, or any prospects or possibilities of such sales, disposals or other transfers, as to or against which the holders of our Shares may or may not have a right to vote or veto, could adversely impact the market price of our Shares and our ability to raise equity capital in the future at a time and price that we deem appropriate. There can be no assurance that any of our major Shareholders will not sell, dispose of or otherwise transfer any Shares they may own now or in the future at the completion of the applicable lock-up periods.

Purchasers of Offer Shares will incur an immediate and substantial dilution as a result of the Global Offering.

The Offer Price of the Offer Shares is substantially higher than the net tangible book value per Share. Therefore, purchasers of the Offer Shares in the Global Offering will experience an immediate and substantial dilution in net tangible book value per Share as a result of the Global Offering.

We cannot guarantee the accuracy of the facts and statistics in this Prospectus relating to the Chinese economy or to the global industry in which we operate.

Facts, forecasts and other statistics in this Prospectus, relating to the Chinese economy or to the global oil and gas industry and market, are derived, in part, from official government sources. Our Company, the Underwriters, or any of its or their respective affiliates, or advisors, have not independently verified these materials and, therefore, make no representations as to the accuracy of such facts, forecasts and statistics. Due to possibly flawed or ineffective collection methods, discrepancies between published information and market practice, or other problems, the statistics in this Prospectus, including without limitation those in the section entitled "Industry Overview," may be inaccurate or may not be similar to statistics produced by other sources. Prospective investors should not place undue reliance on any of such information and statistics contained in this Prospectus.