

RISK FACTORS

You should carefully consider all of the information set out in this prospectus before making an investment in the Offer Shares, including the risks and uncertainties described below in respect of our business, our industry and the Global Offering. Our business, results of operations or financial condition could be affected materially and adversely by any of these risks. The trading price of our Shares could decrease due to any or all of these risks, and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

A prolonged decline in or substantial volatility of oil and gas prices could adversely affect the demand for our services and products.

The demand for our services and products is primarily influenced by current and anticipated oil and gas prices and the related level of exploration and production activities, such as drilling and well completion activities, and related spending in the areas where we have operations. Volatility or weakness in oil and gas prices or the perception that oil and gas prices will decrease affects the spending patterns of our customers, which could result in them deciding, for example, to drill fewer new wells, and may in turn materially and adversely affect demand for our services and products. Following several years of robust oil demand growth, the global economic recession that began in 2008 had a significant impact on world oil demand. Global oil consumption decreased in 2009 for the first time since 1992. The economic recession also caused global gas consumption to fall in 2009. While in the longer term, global oil and gas demand growth is expected to recover as the global economy resumes its growth, there can be no assurance that this will occur. In addition, as oil and gas prices have generally been volatile in recent years, we are unable to predict future oil and gas prices or the level of activity in the oil and gas industry. Oil and gas prices may be affected by global economic conditions and technology developments, including the economically viable application of alternative energy sources that may affect demand for oil and gas. See “Industry Overview—Global Oil and Gas Market.” As a result of decreased oil and gas prices and consequent reduction in spending by our customers, we may experience lower utilisation of our capacity and may be forced to lower our rates for services and products. A prolonged decline in oil and gas prices or a reduction in drilling and production activities could have a material adverse effect on our business, financial condition and results of operations.

Our businesses involve inherent risks and occupational hazards, which could harm our reputation, subject us to liability claims and cause us to incur substantial costs.

Our operations are subject to occupational hazards inherent in the oil and gas industry, such as fires, explosions, blowouts and oil spills that can cause personal injury or loss of life, damage to or destruction of property or equipment, pollution and other damage to the environment. In addition, loss of oil and gas production and damage to geological formations can occur in the completion and workover operations. Any of these consequences, to the extent they are significant, could result in business interruption or suspension of operations, legal liability and damage to our business reputation and corporate image. Litigation arising from a catastrophic occurrence at a location where our equipment and services are used may result in us being named as a defendant in lawsuits asserting potentially large claims, including claims brought by our customers alleging deficiencies in safety or failures in our services or products. In April 2010, a massive oil spill occurred in the Gulf of Mexico that caused tremendous damage to the environment, the fishing industry and tourism in the affected areas. BP p.l.c., an international oil company that owned and developed the well, was involved in legal claims filed by various parties who sustained damages from this accident. BP p.l.c. in turn filed legal claims against its equipment suppliers and operation contractors for safety failures. If there is any accident similar to the Gulf of Mexico oil spill that involves wells or reservoirs we work or worked on, our reputation could be materially and adversely affected and we could be subject to litigation or other similar proceedings. The defence of such litigation or other similar proceedings can be both costly and time-consuming, regardless of the outcome. If such litigation results in unfavourable decisions, our business, financial condition and results of operations could be materially and adversely affected.

We normally seek to lower our exposure to the potential claims associated with our businesses through contractual limitations of liability, indemnities from our customers, subcontractors and suppliers, and insurance.

RISK FACTORS

These measures, however, may not always be effective due to various factors, many of which may be out of our control. These factors include:

- in some of the jurisdictions in which we operate, including China and Kazakhstan, environmental and workers' compensation liabilities may be assigned to us as a matter of law and may not be limited through contracts;
- customers and subcontractors may not have adequate financial resources to satisfy their indemnity obligations to us;
- losses may arise from risks not addressed or expected in our indemnity agreements; and
- our insurance coverage may not be sufficient or we may not be able to obtain insurance against some risks on commercially reasonable terms, or at all.

We rely on a limited number of major customers for a substantial portion of our revenue.

We derive a majority of our business from a limited number of major customers that are subsidiaries or affiliates of CNPC. There were over 30 subsidiaries and affiliates of CNPC that were our customers during the Track Record Period. For the three years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011, revenue generated from our five largest customers, all of which are subsidiaries or affiliates of CNPC, accounted for 66.6%, 72.0%, 65.1% and 69.7% of our total revenue, respectively, while our largest customer accounted for 25.3%, 25.4%, 28.8% and 24.9% of our total revenue, respectively, for the same periods. Our revenue attributable to CNPC, on a group basis, accounted for 82.3%, 90.6%, 87.1% and 82.3% of our total revenue for the years ended 31 December, 2008, 2009 and 2010 and the six months ended 30 June 2011, respectively. The concentration of our business among a number of major customers exposes us to a variety of risks that could have a material adverse impact on our revenue and profitability. For example, reduction in a major customer's demand for our services and products or loss of a major customer's business could result in a significant decrease in our revenue.

If our major customers significantly reduce their use of our services and products for whatever reason, and we are unable to find comparable alternative customers, our business, financial condition and results of operations would be materially and adversely affected. We have made and will continue to make efforts to reduce our business concentration on CNPC. However, there can be no assurance that such efforts will succeed.

We face risks associated with sales of our services and products in overseas markets, and if we are not able to effectively manage these risks, our ability to manage and grow our business abroad will be limited.

A significant portion of our revenue was derived from our overseas subsidiaries, which amounted to 59.2%, 59.0%, 57.9% and 70.0% of our total revenue for the three years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011, respectively. We intend to further grow our business activities in overseas markets, in particular in Central Asia and Southeast Asia and the Middle East where we believe oil and gas development activity is likely to grow significantly in the near future. The marketing and sale of our services and products overseas exposes us to a number of risks, including:

- fluctuations in foreign currency exchange rates;
- increased costs associated with maintaining the ability to understand the overseas markets and anticipate their future trends;
- difficulty in staffing and managing overseas operations;
- risks relating to enforceability of contracts;
- failure to develop appropriate risk management and internal control structures for overseas operations;
- difficulty and increased costs relating to compliance with different commercial and legal requirements in overseas markets;

RISK FACTORS

- market entry barriers, such as strong local competitors that may have a proximity advantage and local connections, which may prevent us from competing effectively;
- failure to obtain or maintain licences or certifications for our services and products in these markets;
- risks relating to any unfavourable relationship that may exist between China and any foreign country in which we operate;
- inability to obtain, maintain or enforce intellectual property rights;
- unanticipated changes in prevailing economic conditions and regulatory requirements;
- trade barriers such as tariffs, taxes and other restrictions and expenses; and
- social unrest, acts of terrorism, war or other armed conflict, such as the recent social unrest in Egypt and Libya.

If any of the risks described above materialise, or if we are unable to manage these risks effectively, our ability to manage or grow our international business would be undermined, which may in turn materially and adversely affect our business, financial condition, results of operations and prospects.

Changes in, expiration or termination of, arrangements with Halliburton or other strategic partners could have a material adverse impact on our business operations.

We undertake some of our key business operations in cooperation with Halliburton, a leading international oilfield services provider, through a strategic alliance. This alliance helped us gain access to advanced technologies and management techniques, expand into certain technically challenging markets and improve our competitiveness. For example, we subcontracted to Halliburton certain high-end drilling services in the Tarim Oilfield in Xinjiang, China. See “Business—Strategic Alliance with Halliburton.” However, we cannot assure you that Halliburton will continue to support us, or that we will be able to enter into similar arrangements with other leading international services providers on commercially acceptable terms or at all, if the existing alliance with Halliburton expires or is terminated. Changes in, expiration or termination of, the strategic alliance with Halliburton may have a material adverse effect on our business, financial condition and results of operations.

We mainly purchases from a small group of suppliers, and any disruption in their supply may harm our business.

Although we use different suppliers for sourcing consumables, equipment and replacement components and parts used in our operations, our purchases are concentrated on a small group of suppliers. Purchases from our five largest suppliers accounted for approximately 84.0%, 68.4%, 51.2% and 40.7%, respectively, of our total purchases for the three years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011. Purchases from our largest supplier accounted for approximately 60.5%, 43.2%, 17.6% and 14.1% of our total purchases for the three years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011, respectively. We do not have long-term supply contracts with our suppliers. Should there be a disruption in supply by one or more of our major suppliers and we fail to find replacement suppliers on favourable terms or at all, our ability to effectively provide services and products may be affected and our business may be harmed.

We have relatively high level of inventories and inventory turnover days and some of our inventories ordered for a particular project are not easily transferable to other projects and may be subject to write-off if the inventories are not fully utilised.

Our inventory balance was RMB166.9 million, RMB193.9 million, RMB211.1 million and RMB265.7 million as at 31 December 2008, 2009 and 2010 and 30 June 2011, respectively. Our inventory turnover days were 248 days 178 days, 180 days and 326 days for the same periods. Our level of inventory is particularly affected by the following factors: (i) a majority of our revenue from oilfields outside China, particularly oilfields in Kazakhstan, and we source most of the inventory from China for these oilfields, which typically requires two or more months to transport the relevant inventory to these oilfields; (ii) we provide services at various oilfields that are geographically dispersed and we are required to keep an appropriate level of inventory for and close to

RISK FACTORS

each of these oilfields in which we operate; (iii) a significant portion of our services requires us to prepare materials and tools in advance (while other services providers may only offer services that do not require them to prepare material and tools in advance) and (iv) we generally provide more services in the second half of the year. As a result, we may need to maintain a higher level of inventory than our peers that provide services primarily in China or at oilfields which are geographically concentrated or primarily provide services that require them to prepare little or no materials and tools in advance. We maintain a relatively higher level of inventory in the first half of the year due to the seasonality of our business.

We are subject to risks associated with our high level of inventory including, among others, the requirement for additional working capital which may be tied up with our inventory, the increase in our costs relating to holding inventory and the risk that we may have to write off our inventory if relevant services are cancelled. For example, in 2008 we incurred a RMB58.5 million write-down of inventories that we purchased for a total value of approximately RMB69.4 million. Our customer in Jidong Oilfield advised us in 2007 that they were expecting a discovery of oil reserves which reportedly were over one billion tonnes. Our customer prepared a large investment budget for that project, made significant investments and urged us to make necessary preparations for that project. Our senior management evaluated the situation, opportunity and facts at that time, including the risks relating to preparing inventories before signing a binding service contract, and considered it a good business opportunity to pursue. We estimated that should the opportunity materialise, the revenue from oilfield services relating to that project would have been approximately RMB150 million to RMB200 million for 2008. Therefore, we entered into a non-binding arrangement with our customer and proceeded to purchase approximately RMB69.4 million of inventories to prepare for that project. However, it was later established that the oil reserve was much less than expected and as a result there were much less oilfield services required. A substantial portion of the inventories we ordered could not be utilised by other projects, resulting in the write-down of these inventories. We cannot assure you that similar events will not occur in the future. If we fail to effectively manage our inventory levels or otherwise have significant levels of obsolete or excessive inventories, our business, financial condition and results of operations could be materially and adversely affected.

Our outstanding trade receivables and the turnover days of our trade receivables have been relatively high.

During the Track Record Period, our outstanding trade receivables and their turnover days were relatively high. Our outstanding trade and notes receivables were RMB294.1 million, RMB340.3 million, RMB445.1 million and RMB339.9 million as at 31 December 2008, 2009 and 2010 and 30 June 2011, respectively, and their turnover days were 129 days, 125 days, 135 days and 173 days for the three years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011, respectively. See “Financial Information—Discussion of Certain Balance Sheet Data—Trade and Notes Receivables.”

Delays in receiving payments from, or non-payment by, our customers may adversely affect our cash flow position and our ability to meet our working capital requirements. In addition, customers’ defaults in making payments to us on sales or supply contracts for which we have already incurred significant costs and expenditures can reduce our financial resources that would otherwise be available. Any extended delay in payment by any major customer would have a material and adverse effect on the aging schedule and turnover days of our trade receivables. Our customers’ ability to pay may be impaired by a number of factors, including unfavourable global market conditions for the oil and gas industry, deteriorating liquidity of our customers or delayed commencement of oil and gas production activities. The occurrence of any of the foregoing could affect our customers’ ability to make timely payments, and we cannot assure you that our customers will make payment in full to us on a timely basis, or at all. Inability to collect our trade receivables on a timely basis could materially and adversely affect our financial condition, liquidity and results of operations.

Our industry has experienced a shortage of technical experts and experienced management. Any difficulty we experience in recruiting and retaining such personnel could adversely affect our business.

A team of experienced engineers, technical experts and senior management is crucial in providing oilfield services from the initial design plan of the services to the fine-tuning and final delivery of such services. We intend to maintain our leading market position in the service areas we currently serve and to expand into the

RISK FACTORS

other service areas where we see good opportunities, which requires experienced technical experts and management. However, there is a shortage of talented and experienced personnel in our industry and competition for their services is intense. Our failure to recruit and retain a team of such personnel may have an adverse effect on our business and results of operations.

In line with the general market practice, we generally do not have long-term commitments from our customers for the provision of services or products.

In line with the general market practice in China, we do not have long-term commitments from our customers for the provision of services or products. Our operations, including our services and products offerings, pricing, procurement, and research and development efforts, are largely subject to changes in the demands, preferences and technical requirements of our customers. We may not have the expertise, technology or capital resources to respond adequately to those changes. If we fail to respond to those changes in a timely manner or at all, we may lose such customers and our results of operations may be materially and adversely affected.

Although we maintain insurance coverage as required by the laws in countries where we operate, we do not have any product liability, business interruption or litigation insurance coverage for our operations.

Even though we maintain insurance coverage required by the laws in the countries in which we operate, it may not be sufficient to cover our potential losses or liabilities. In particular, we do not have any product liability, services warranty, business interruption or litigation insurance coverage for our operations. While our Directors are not aware of any complaints or claims against us for loss or liabilities in connection with our operations during the Track Record Period, there is no assurance that we will not have any such complaints or claims, which may result in substantial costs and the diversion of resources. The occurrence of certain incidents, including earthquakes, fires, severe weather, wars, floods, and power outages, and the consequences, damages and disruptions resulting from them, may not be covered adequately or at all by our insurance policies. There can be no assurance that we will be able to maintain adequate insurance in the future. Further, there can be no assurance that insurance will continue to be available on acceptable terms or at all. The occurrence of an adverse claim in excess of our coverage could expose us to substantial costs, which may have a material adverse impact on our financial condition and results of operations.

We may not be able to grow successfully through future acquisitions.

Our business strategy includes growing our business through acquisitions. We intend to evaluate acquisition opportunities that could complement our oilfield service portfolios and enhance our technological expertise. We may not be able to identify suitable acquisition opportunities or successfully complete the acquisition of identified targets on favourable terms. Currently, the competition for acquisition opportunities is limited but may become intense, increasing our acquisition costs or making our acquisitions difficult. We may be required to incur substantial indebtedness to finance future acquisitions. Such additional debt service requirements may impose a significant burden on our operations and financial condition. In addition, we may not be successful in integrating our acquired business into our existing operations, which may result in unforeseen operational difficulties, weaker financial performance, or may divert our management's attention.

We may not be able to procure or lease equipment from suppliers on acceptable terms or in a timely manner.

Our operations depend on suitable equipment to provide services to our customers. Although historical fluctuations in the supply and price of equipment did not have any material adverse impact on us, and we were able to source and procure equipment in anticipation of future increases of prices or shortages of equipment or to pass on the additional cost of equipment to our customers, we cannot assure you that such fluctuations in the future would not have any material adverse impact on our business and financial results. Should any of the suppliers fail to sell or lease to us required equipment in sufficient quantities and reasonable prices in a timely manner, or if we are unable to purchase or lease equipment from alternative suppliers on a timely basis or on

RISK FACTORS

commercially acceptable terms, our service delivery schedule may be disrupted, which could result in loss of revenue and customers.

We face intense competition in our industry, and failure to compete effectively may adversely affect our business and prospects.

We face intense competition in China and the overseas markets in which we operate. Many of our competitors may have longer operating histories, stronger capital resources, better research and development capabilities, a larger customer base, stronger customer relationships, or better brand or name recognition than we do. Moreover, some of our competitors may also be better positioned to develop superior services and product features and advanced technological innovations and may be better able to adapt to market trends than we are. Our ability to compete depends on our ability to offer integrated oilfield services and high-quality products that are suitable for our customers' needs at competitive prices. Our operations may be adversely affected if our current competitors or new market entrants introduce new services or products with better features and performance or competitive prices than our services or products. If we cannot compete effectively, we may lose market share and our results of operations may be materially and adversely affected.

We face risks associated with the market access licences certified by our customers in China, and if we are not able to effectively manage the risks, our business operations will be adversely affected.

Most of our customers in China, such as CNPC and Sinopec, issue their own market access licences to qualified oilfield services providers. The qualification process assesses services providers in respect of their service quality, capabilities, experience and expertise. Once issued, such licences allow the licensees to provide oilfield services in a region for a specified period of time. Such licences also specify the scope of services that can be provided. There is no assurance that we can successfully obtain all such licences from our existing or potential customers or that such licences, if successfully obtained, can be renewed upon expiry. Failure to obtain or renew such market access licences may adversely affect our business.

There is no guarantee that we will generate sufficient cash flow from our operations in the future.

We had positive cash flow from our operating activities of RMB98.1 million and RMB67.9 million for the two years ended 31 December 2009 and 2010, respectively. However, we experienced negative cash flow from our operating activities of RMB16.8 million and RMB17.5 million for the year ended 31 December 2008 and for the six months ended 30 June 2011. See "Financial Information—Liquidity and Capital Resources." There is no guarantee that we will generate sufficient cash flow from our operations in the future. If we are unable to generate sufficient cash from our operating activities or to obtain required funding from other sources, our operations and financial activities could be materially and adversely affected.

Our operation and development depend on key members of our management, the loss of any of whom could disrupt and adversely affect our business operations and prospects.

We rely on the services of our executive directors and senior management team. In particular, our founders, Mr. Wang and Mr. Wu, have in-depth knowledge of and experience in the oilfield services industry. The continuous service of our executive directors and senior management team is important to our future prospects and development. The loss of the service of our executive directors, or other members of senior management, or failure to find qualified replacements, could disrupt and adversely affect our operations and prospects. Further, we do not maintain any key personnel insurance. As a result, any loss relating to our key personnel will not be covered by insurance and may negatively affect our business and operations.

If we fail to develop or adopt new exploration and production technologies, our business and competitiveness may be harmed.

The oil and gas industry is competitive and the underlying exploration and production technologies are rapidly evolving. The relevant technologies and market trends are subject to constant changes based on customers' needs. We cannot assure you that we will be able to predict such technology or market trends. If we

RISK FACTORS

fail to predict changes in production technology or apply new technologies on a timely basis, whether developed in-house or through licensing, we may not be able to respond effectively to customers' needs. Responding to and adapting to technological developments and changes in the oil and gas industry, and the integration of new technologies or industry standards, may require substantial investment of resources, time and capital. There can be no assurance that we will be able to respond and adapt to such technological and industry developments in a timely manner. In the event we fail to do so, our business, results of operations and competitiveness may be materially and adversely affected.

The results of our operations are subject to seasonal fluctuations.

Historically, our revenue has been higher during the second half of the year due to the fact that most of our customers set annual budgets early in the year and incur the budgeted capital expenditures to carry out relevant activities later in the year, particularly in the fourth quarter. The seasonality is also, to a lesser extent, due to the fact that the weather becomes too cold in winter for our customers to operate in some areas, and consequently we have to temporarily suspend or reduce our operations in those areas.

As a result, demand for our services and products can be cyclical and subject to seasonal variations and our results of operations may fluctuate on a seasonal basis. This inherent fluctuation in our revenue may place pressure on our short-term liquidity during times of low activity, particularly in the first half of the year.

Failure to protect our intellectual property rights may materially and adversely affect our competitive position and operations and we may be exposed to infringement or misappropriation claims by third parties.

Our success is in part attributable to the intellectual property that we have developed or acquired. See "Business—Intellectual Property Rights." There can be no assurance that measures we have taken to protect our intellectual property rights are adequate to prevent or deter infringement or other misappropriation of our intellectual property. Any significant infringement of our proprietary technologies and processes could weaken our competitive position and have an adverse effect on our operations. To protect our intellectual property rights, we may have to commence legal proceedings against any misappropriation or infringement. However, there can be no assurance that we will prevail in such proceedings. We may be subject to litigation or other proceedings involving the violations of intellectual property rights of third parties. The defence of such litigation or other proceedings can be both costly and time-consuming. An adverse ruling in any such litigation or proceedings to which we may become a party could materially and adversely affect our business, reputation, financial condition or results of operations.

We are required to comply with various environmental, health and safety laws and regulations, the compliance with which may be onerous or expensive.

We are required to comply with various and extensive environmental, health and safety laws and regulations in the PRC and the overseas jurisdictions in which we operate. If we fail to comply with these laws and regulations, we could be exposed to penalties, fines, suspension or revocation of our licences or permits to conduct business, administrative proceedings and litigation. In light of the magnitude and complexity of these laws and regulations, compliance with them or the establishment of effective monitoring systems may be onerous or require a significant amount of financial and other resources. During the Track Record Period, our Directors were not aware of any non-compliance with these laws and regulations. As these laws and regulations continue to evolve, they may impose additional or onerous standards and requirements, compliance with which may require us to incur significant costs that we may not be able to pass on to our customers.

Our employees and local business partners could engage in corrupt or other improper conduct that could harm our reputation and business.

Although our company policies prohibit our employees from engaging in corrupt or other improper conduct, we may not be able to effectively control our employees' conduct. In addition, we may cooperate with local business partners in our project bidding process and operations, as required by local laws or driven by business

RISK FACTORS

needs. Those local business partners may engage in corrupt or other improper conduct. We have limited ability to manage or control such activities of those local business partners. We are not aware of any corrupt or inappropriate conduct engaged in by our Group, our employees or local business partners during the Track Record Period. However, there can be no assurance that none of our employees and local business partners have engaged in, or will engage in corrupt or other improper conduct or violate applicable anti-corruption laws.

In the oilfield services industry, corrupt practices may include, among others, acceptance of kickbacks, bribes or other illegal gains or benefits by oil and gas companies or relevant persons in the oil and gas industry from oilfield services providers for the purpose of obtaining or retaining business. If our employees engage in corrupt or other improper conduct or violate applicable anti-corruption laws, we could be subject to unfavourable publicity and administrative or criminal liabilities, which may have a material adverse effect on our reputation, business, financial condition and results of operations. Furthermore, we could be liable for actions taken by local business partners that are in violation of applicable law, including anti-corruption laws and regulations.

Furthermore, we could be liable for actions taken by our employees and local business partners that violate the Foreign Corrupt Practices Act of the United States (the “FCPA”). A non-U.S. company is potentially subject to the FCPA if it acts in furtherance of a corrupt offer, promise, or payment while in the territory of the United States. As shown by recent cases, the coverage of the FCPA is broadly interpreted and it arguably could reach virtually any U.S. dollar bank transaction. Where funds raised in the United States can be traced to the moneys used to pay a bribe, it could constitute a territorial act in the United States in furtherance of a corrupt offer, promise or payment.

Moreover, PRC laws relating to incentive payments are not always clear. As a result, we, our employees or agents could make certain payments in connection with the promotion or sale of our services and products which at the time were considered legal but may later be deemed impermissible by the PRC government. Our reputation, our sales activities or the price of our Shares could be materially and adversely affected if it is alleged that our employees, business partners or agents were engaged in any such activities.

Disruptions in the global financial markets could affect availability of funds for borrowing and have a material adverse impact on our financial condition, results of operations and cash flows.

The global financial crisis that began in 2008 has adversely affected the United States, Europe and other major economies, including China. The global financial crisis also resulted in the tightening of credit markets, a low level of liquidity in many financial markets and increased volatility in credit and equity markets, most recently as a result of the pending European debt crisis. Many financial institutions worldwide have tightened lines of credit and reduced the amount of funding available to borrowers. If these conditions continue, worsen or recur, they may adversely affect the availability, terms and cost of borrowings in the future, including the financing we may require for acquisitions or capital expenditures. Any disruption in our ability to renew existing borrowings or obtain new borrowings may materially and adversely affect our business, financial condition, results of operations and cash flows.

We may be subject to potential tax liability of certain BVI companies that used to be part of our Group.

During the Track Record Period, four of our affiliate companies, which are incorporated in the BVI and owned by Mr. Wang, Mr. Wu and Ms. Shen (the “BVI Companies”), provided services to and traded with the Debtors in various jurisdictions. We excluded from our Group these BVI Companies as at 31 December 2010 in a reorganisation as we had set up a Singapore subsidiary to assume the business from the BVI Companies. See “History, Reorganisation and Group Structure—Reorganisation—(7) Exclusion of four operating BVI companies and restructuring of accounts payable to these BVI companies.”

The BVI Companies may be subject to potential tax obligations if they are considered resident enterprises in certain jurisdiction and as at 31 December 2010 those potential tax and related liabilities (“Potential Tax”) were estimated to be approximately RMB98.8 million. The Potential Tax was determined by applying the applicable statutory tax rate of certain tax jurisdictions on the profit before taxation of these BVI Companies since their date of incorporation amounting to RMB63.6 million plus the estimated related interest charges arising from these tax

RISK FACTORS

liabilities of RMB35.2 million. The BVI Companies made the provision for the Potential Tax and such provision had been recorded in the consolidated financial statements of our Group until 31 December 2010 when the BVI Companies were excluded from our Group in the reorganisation. Consequently the relevant provision was excluded from, and therefore not reflected in, our Group's consolidated balance sheet as at 31 December 2010. If the BVI Companies were to remain in our Group, the tax provision would continue to be included in the total tax provision of our Group going forward until such time when it is required to settle the liabilities by the relevant tax authority. None of the BVI Companies had been required by the tax authorities in any jurisdictions to pay taxes in respect of the Potential Tax.

We may be found liable by relevant tax authorities for the Potential Tax notwithstanding the reorganisation discussed above. Mr. Wang and Mr. Wu and several of the companies controlled by them ("Indemnifying Parties") have entered into a Deed of Indemnity for Taxation in favour of us, under which the Indemnifying Parties have jointly and severally undertaken to indemnify us from and against any loss, liabilities and cost arising from the Potential Tax. If we are found liable for the Potential Tax and the Indemnifying Parties fail to fulfil their indemnity obligation pursuant to the Deed of Indemnity, our cash flow and results of operations could be materially and adversely affected.

Our Controlling Shareholders have the ability to exercise substantial control over us, which allows them to influence our business in ways which may not be in our or our other Shareholders' best interests.

Our Controlling Shareholders will hold in aggregate approximately 58.1% of our issued share capital upon completion of the Global Offering, assuming no exercise of the Over-allotment Option (or approximately 56.0% if the Over-allotment Option is exercised in full). Accordingly, subject to our Articles of Association and applicable laws and regulations, our Controlling Shareholders will, through their representatives on our Board, be able to influence our major policy decisions, including those relating to:

- adopting amendments to our Articles of Association and making decisions regarding other major corporate actions;
- issuances of securities and adjustments to our capital structure;
- our management, business strategies and policies;
- the timing and distribution of dividends;
- any plans relating to mergers, acquisitions, joint ventures, investments or divestitures;
- the election of our Directors; and
- other actions that require the approval of our Directors or Shareholders.

The interests of our Controlling Shareholders may not always coincide with our or your best interests. If the interests of our Controlling Shareholders conflict with the interests of our other Shareholders, or if our Controlling Shareholders choose to cause us to pursue strategic objectives inconsistent with the interests of our other Shareholders, those other Shareholders' interests may be harmed.

We may be unable to prevent possible sales of our products and services to countries, governments, entities, or persons targeted by United States economic sanctions.

The U.S. Department of the Treasury's Office of Foreign Assets Control, or OFAC, administers certain laws and regulations, or the U.S. Economic Sanctions Laws, that impose restrictions upon U.S. persons and, in some instances, foreign entities owned or controlled by U.S. persons, with respect to activities or transactions with certain countries, governments, entities and individuals that are the subject of the U.S. Economic Sanctions Laws, or Sanctions Targets. U.S. persons are also generally prohibited from facilitating such activities or transactions. We will not use any proceeds from the sale of our products and services to fund any activities or business with any Sanctions Targets with respect to which U.S. persons or, as appropriate, foreign entities owned or controlled by U.S. persons, are prohibited by the U.S. Economic Sanctions Laws from conducting such activities or transacting such business.

RISK FACTORS

While we believe that the U.S. Economic Sanctions Laws under their current terms are not applicable to our activities, we may further expand our business in other regions or areas in the world, such as the Middle East, and we cannot assure you that our future activities, including the provision of services or the sale of products, will not be covered by the U.S. Economic Sanctions Laws or similar sanctions regimes in other jurisdictions. If such activities occur in the future, we may be prevented from engaging in certain trade transactions in the United States or obtaining certain types of financing from the United States or such other jurisdictions.

Our business may be affected by financial, geo-political and general economic events and circumstances prevailing from time to time in the Middle East.

We intend to further develop our business into the Middle East market. However, certain countries in the Middle East experienced or are experiencing political unrest and, in some cases, armed conflict, including Syria, Tunisia, Egypt and Libya. Our business may be affected by financial, geo-political and general economic events and circumstances prevailing from time to time in the Middle East, which may prevent us from delivering our services or otherwise adversely affect our business operations in the region. In particular, the current political unrest in the Middle East has resulted in significant concern that production from oil exporters in the region may be reduced, which in turn could adversely affect the demand for oilfield services and products in the region. It is not possible to predict the occurrence of any financial, geo-political or economic events or circumstances, including war or hostilities, in the future and we cannot assure you that we would be able to develop our business in the Middle East market if such adverse political events or circumstances were to occur.

The information publicly disclosed by us in connection with the Global Offering or subsequently as a public company may be used by our customers against us.

The information publicly disclosed by us in connection with the Global Offering or subsequently as a public company may be used by our customers against us. We have disclosed our operational, financial and other information and data in this prospectus which otherwise would not be available to the public. After the Global Offering, we will become a public company subject to the Listing Rules and other applicable securities laws and we will continue to publicly disclose our operational, financial and other information and data. This information and data will be available to our customers, including subsidiaries and affiliates of CNPC, from which we generated a majority of our revenue during the Track Record Period. We cannot assure you that the subsidiaries and affiliates of CNPC will not use this information and data in their commercial negotiations with us. If they use this information and data, we may be at a disadvantage in contract negotiations, and as a result, our financial condition, results of operations and profitability may be materially and adversely affected.

RISKS RELATING TO BUSINESS OPERATIONS IN CHINA

Changes in the PRC's political, economic and social conditions, laws, regulations and policies may have an adverse effect on us.

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

- structure;
- level of government involvement;
- level of development;
- growth rate;
- control of foreign exchange; and
- allocation of resources.

The PRC economy has been transitioning from a planned economy to a market-oriented economy. For the past three decades, the PRC government has implemented economic reform measures emphasizing utilisation of

RISK FACTORS

market forces in the development of the PRC economy. In addition, the PRC government continues to play a significant role in regulating industries by imposing industrial policies. Despite the implementation of such reforms, we cannot predict whether changes in the PRC's political, economic and social conditions, laws, regulations and policies will have any adverse effect on our current or future business, results of operations or financial condition.

The PRC's legal system embodies uncertainties that could adversely affect our business and results of operations.

As a substantial portion of our operations are conducted, and a substantial portion of our assets are located, in China, our operations are generally affected by and subject to the PRC legal system and PRC laws and regulations. Since 1979, many new laws and regulations covering general economic matters have been promulgated in China. Despite this activity to develop the legal system, China's system of laws is not yet complete. Even where adequate law exists in China, the enforcement of existing laws or contracts based on existing law may be uncertain or sporadic, and it may be difficult to obtain swift and equitable enforcement or to obtain enforcement of a judgment by a court of another jurisdiction. The PRC legal system is based on written statutes and their interpretation, and prior court decisions may be cited for reference but have limited weight as precedents. The relative inexperience of China's judiciary in many cases creates additional uncertainty as to the outcome of any litigation. In addition, interpretation of statutes and regulations may be subject to government policies reflecting domestic political changes.

The determination of our tax resident status in the PRC could generate unfavourable tax consequences and adversely affect our cash flow, results of operations and financial condition.

We are incorporated under the laws of the Cayman Islands and hold interests in our PRC operating subsidiaries through SPT Energy Hong Kong Limited, our Hong Kong subsidiary. Under the PRC Enterprise Income Tax Law ("EIT Law") and its implementing rules, both of which became effective from 1 January 2008, the definition of "PRC Resident Enterprise" is not limited to the geographic location where an enterprise is incorporated. Any enterprise established outside the PRC with "de facto management bodies" within the PRC will be considered a "PRC Resident Enterprise." The implementation rules define the term "de facto management bodies" as "establishments that carry out substantial and overall management and control over the manufacturing and business operations, personnel, accounting, properties and other aspects of an enterprise." The Circular issued by the State Administration of Taxation on Identification of China-controlled Overseas-registered Enterprises as Resident Enterprises on the Basis of Actual Management Organisation (Guo Shui Fa [2009] No. 82) (《國家稅務總局關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知(國稅發[2009]82號)》) further provides certain specific criteria for determining whether the "de facto management body" of an offshore-incorporated enterprise with Chinese enterprises or corporate groups as controlling investors is located in the PRC. The criteria include whether: (i) the enterprise's day-to-day operational management is primarily undertaken in China, (ii) decisions relating to the enterprise's financial and human resources matters are made or subject to approval by organisations or personnel in China, (iii) the enterprise's primary assets, accounting books and records, company seals, and board and shareholders' meeting minutes are located or maintained in China and (iv) 50% or more of voting board members or senior executives of the enterprise habitually reside in China. Although Guo Shui Fa [2009] No. 82 does not directly apply to foreign enterprises that are controlled by Chinese individuals and we are currently not treated by the relevant tax authorities as a PRC resident enterprise, there is a risk that the PRC tax authority may make reference to this circular for determining the place of effective management of foreign companies that are controlled by Chinese individuals. Since substantially all of our management is currently based in China, we cannot assure you that we will not be considered a "PRC Resident Enterprise" under the EIT Law. If our Company is determined to be a PRC Resident Enterprise, the worldwide income of our Company will be considered our taxable income that will be subject to PRC Enterprise Income Tax ("EIT") at the rate of 25%. Therefore, the determination of our "PRC Resident Enterprise" status would significantly increase our tax burden and materially and adversely affect our cash flow, results of operations and financial condition. We are actively monitoring the possibility of "resident enterprise" treatment and are evaluating appropriate organisational changes to avoid this treatment, including moving certain management and operational functions and senior executives to Singapore, to the extent commercially feasible.

RISK FACTORS

Withholding tax on dividends received by our Company and Shareholders may be increased.

We are incorporated under the laws of the Cayman Islands and hold interests in our PRC operating subsidiaries through SPT Energy Hong Kong Limited, our Hong Kong subsidiary. As a non-PRC Resident Enterprise, dividends derived from our PRC operating subsidiaries are subject to PRC withholding tax at the rate of 10% unless a tax treaty benefit in respect of dividends can be claimed. According to the tax treaty between Hong Kong and the PRC, dividends paid by a PRC company to its Hong Kong shareholder will be subject to withholding tax at a rate of no more than 5% if the shareholder is a company and a beneficial owner of the dividend and holds no less than 25% of the shares of the PRC company.

For the definition of “beneficial owner”, the PRC State Administration of Taxation promulgated the Notice of Taxation on How to Understand and Determine the “Beneficial Owners” in Tax Agreements (“Circular 601”) (《國家稅務總局關於如何理解和認定稅收協定中“收益所有人”的通知(國稅函[2009]601號)》) on 27 October 2009. Circular 601 provides that the tax treaty benefits on dividends will be denied to “conduit” or shell companies that lack business substance. The beneficial ownership analysis will be based on a “substance-over-form” principle to determine whether or not to grant tax treaty benefits. Thus, if the tax treaty benefit on dividends under the tax treaty between the PRC and Hong Kong is not granted, the withholding tax rate of 10% will apply to dividends derived from our business operations in the PRC.

In addition, if our Company is determined to be a PRC Resident Enterprise, the dividends payable by us will be subject to the PRC withholding tax at the rate of 10% unless there is a tax treaty benefit in respect of the dividends that can be claimed. Similarly, any gain realised on the transfer of Shares by such investors may be regarded as income derived from sources within the PRC and therefore be subject to the 10% withholding tax. However, it is uncertain whether the dividends we pay in respect of our Shares, or the gain you may realise from the transfer of our Shares, would be treated as income derived from sources within the PRC and be subject to the PRC tax. Our tax liability may depend, in part, on how the PRC tax authorities interpret, apply or enforce the EIT Law and its implementation regulations.

Offshore companies may be required to pay income tax on capital gains from the transfer of equity of its PRC subsidiaries.

In preparation for the Global Offering, our Company and its subsidiaries underwent the reorganisation. For more details of the Reorganisation, see “History, Reorganisation and Group Structure—Reorganisation.” According to the Circular issued by the State Administration of Taxation on Strengthening the Administration of Enterprise Income Tax on Incomes from Non-resident Enterprises’ Equity Transfers (“Circular 698”) (《國家稅務總局關於加強非居民企業股權轉讓所得企業所得稅管理的通知(國稅函[2009] 698號)》), which took effect retrospectively on 1 January 2008, the transfer of equity interests of certain PRC subsidiaries held by offshore subsidiaries of our Group to other offshore subsidiaries of our Group is subject to an income tax of 10% on the capital gains, which may be determined as the difference between the equity transfer price of the equity interests transferred and the cost of investment. Circular 698 also clarified the definition of equity transfer price, cost of investment and other relevant details on EIT filing and collection in connection with the direct or indirect transfer of the equity interests of a PRC resident enterprise between non-PRC resident enterprises. But currently, it is unclear how the relevant PRC tax authorities will implement or enforce Circular 698 and whether such income tax on capital gains treatment will be subject to further change. If we are required to pay the income tax on capital gains by the relevant PRC tax authorities, our tax liability may increase and our net profits and cash flow may be affected.

Changes in tax incentive policies may affect our business, financial condition and results of operations.

We are incorporated under the laws of the Cayman Islands and hold interests in our PRC operating subsidiaries through SPT Energy Hong Kong Limited. In the past, our PRC operating subsidiaries have enjoyed, and some of them are still enjoying, certain tax incentives granted by the PRC government, such as our subsidiaries located in Tianjin and Xinjiang. See “Accountant’s Report” in Appendix I of this prospectus. After the new EIT Law and its implementation took effect, the State Council promulgated the Circular on the Implementation of Transitional Preferential Enterprise Income Tax Policies Guo Fa [2007] No. 39 (《國務院關於實施企業所得稅過渡優惠

RISK FACTORS

政策的通知國發[2007]39號)), which provides that the preferential tax rate will gradually transition to the new tax rate over the five years from 1 January 2008. Other tax benefits, such as fixed periods of corporate income tax exemption or reduction, will continue until the expiration of the prescribed period. For the preferential tax treatment which has not commenced due to lack of profit, such preferential treatment was deemed to have commenced on 1 January 2008. The expiration, cancellation, or change of these incentives may adversely affect our net profit. We cannot give assurance that these incentives currently enjoyed by our PRC operating subsidiaries will not be changed or cancelled. If such changes and cancellation occur, the resulting increase in our tax liability may have a material and adverse effect on our profit for the year/period.

We provide our services and sell our products in overseas markets. Fluctuations in the value of the RMB may have a material adverse effect on our business, financial condition and results of operations.

We currently have significant overseas operations. We also plan to enter into other overseas markets in the future. We may transact business in these markets using local currencies.

The value of the RMB against the U.S. dollar and other currencies (such as CAD and KZT) fluctuates and is affected by, among other things, changes in the PRC's political and economic conditions. The conversion of RMB into foreign currencies, including U.S. dollars, has been based on the PBOC rates. On 21 July 2005, the PRC government changed its policy of pegging the value of the RMB to the U.S. dollar. Under the new policy, the RMB is permitted to fluctuate within a narrow and managed band, against a basket of certain foreign currencies. On 23 September 2005, the PRC government widened the daily trading band for RMB against non-U.S. dollar currencies from 1.5% to 3.0% to improve the flexibility of the new exchange system. Therefore, fluctuations in exchange rates may adversely affect the value of our net assets, earnings or any declared dividends. Also, any unfavourable movement in the exchange rate may lead to an increase in our costs or a decline in sales, which could materially and adversely affect our business, financial condition and results of operations.

Government control of foreign currency conversion may affect the value of your investment.

The PRC government imposes controls on the convertibility of RMB into foreign currencies and, in certain cases, the remittance of currency out of China. We receive a substantial portion of our revenues in RMB. Shortages in the availability of foreign currency may restrict the ability of our subsidiaries in the PRC to remit sufficient foreign currency to pay dividends or other payments to our Company, or otherwise satisfy their foreign currency-denominated obligations, if any. Under existing PRC foreign exchange regulations, payments of certain current account items can be made in foreign currencies without prior approval from the local branch of the PRC State Administration of Foreign Exchange, or SAFE, by complying with certain procedural requirements. However, approval from appropriate government authorities is required where RMB is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of bank loans denominated in foreign currencies. The restrictions on foreign exchange transactions under capital accounts could also affect the ability of our subsidiaries in the PRC to obtain foreign exchange through debt or equity financing, including by means of loans or capital contribution from us. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy the currency demands, our Company may not be able to pay dividends in foreign currencies to the shareholders.

It may be difficult to effect service of process upon us or our Directors who live in the PRC or to enforce against us or them in the PRC judgments obtained from non-PRC courts.

Our Company is incorporated in the Cayman Islands. The majority of our Directors are residents of the PRC. Our Company is a holding company and a substantial proportion of the assets of our operating subsidiaries and their directors are located within the PRC. Therefore, it may not be possible for investors to effect service of process upon us or those persons inside the PRC or to enforce against us or them in the PRC any judgments obtained from non-PRC courts.

The PRC does not have treaties providing for the reciprocal enforcement of judgments of courts with Japan, the United Kingdom, the United States or most other Western countries. In addition, Hong Kong has no

RISK FACTORS

arrangement with the United States for reciprocal enforcement of judgments. Accordingly, it may be difficult to secure recognition and enforcement in the PRC for court judgments obtained in other jurisdictions and to access our assets in China in order to enforce judgment awards entered against us outside of China. Therefore, it may be difficult for you to enforce against us, or our Directors in the PRC, any judgments obtained from non-PRC courts.

An outbreak of Severe Acute Respiratory Syndrome (SARS), Avian Flu (H5N1), Influenza A (H1N1) or any other similar epidemic may, directly or indirectly, adversely affect our operating results and the price of our Shares.

In recent years, certain Asian countries, including China, have experienced outbreaks of SARS, Avian Flu or Influenza A. If any of our employees is identified as a possible source of spreading SARS, Avian Flu, Influenza A or any other similar epidemic, we may be required to quarantine the employees that have been suspected of becoming infected, as well as others that have come into contact with those employees. We may also be required to disinfect our affected premises, which could cause a temporary suspension of our manufacturing capacity, thus adversely affecting our operations. Even if we are not directly affected by the epidemic, an outbreak of SARS, Avian Flu, Influenza A or other similar epidemic, whether inside or outside China, could restrict the level of economic activity generally, which could in turn adversely affect our operating results and our Share price.

Our corporate structure may restrict our ability to receive dividends from, and transfer funds to, our PRC operating subsidiaries, which could restrict our ability to act in response to changing market conditions in a timely manner.

Our Company is a Cayman Islands holding company and a substantial portion of our operations are conducted through our PRC operating subsidiaries. The ability of our PRC operating subsidiaries to make dividend and other payments to us may be restricted by factors that include changes in applicable foreign exchange and other laws and regulations. In particular, under PRC law, our PRC operating subsidiaries may only pay dividends after 10% of their net profit has been set aside as reserve funds, unless such reserves have reached at least 50% of their registered capital. In addition, the profit available for distribution from our PRC operating subsidiaries is determined in accordance with generally accepted accounting principles in China. This calculation may differ if it were performed in accordance with IFRS. As a result, we may not have sufficient distributions from our PRC operating subsidiaries to enable necessary profit distributions to us or any distributions to our shareholders in the future, which calculation would be based upon our financial statements prepared under IFRS.

Distributions by our PRC operating subsidiaries to us other than as dividends may be subject to governmental approval and taxation. Any transfer of funds from our Company to our PRC operating subsidiaries, either as a shareholder loan or as an increase in registered capital, is subject to registration or approval of PRC governmental authorities, including the relevant administration of foreign exchange and/or the relevant examining and approval authority. These limitations on the free flow of funds between us and our PRC subsidiaries could restrict our ability to act in response to changing market conditions in a timely manner.

RISKS RELATING TO OUR OPERATIONS IN KAZAKHSTAN

Political or economic instability in Kazakhstan or in Central Asia generally could have an adverse effect on our business and results of operations.

Kazakhstan became an independent sovereign state in 1991 as a result of the dissolution of the former Soviet Union. Since then, Kazakhstan has experienced significant changes as it has emerged from a single-party political system and a centrally controlled command economy to a market-oriented economic model. The transition has been initially marked by political uncertainty and tension, an economic recession marked by high inflation and instability of the local currency and rapid, but incomplete, changes in the legal environment.

Since 1992, Kazakhstan has actively pursued a program of economic reform designed to establish a free market economy through privatisation of state enterprises and deregulation and is more advanced in this respect

RISK FACTORS

than most other countries of the Commonwealth of Independent States (“CIS”). However, as with any transition economy, there can be no assurance that such reforms and other reforms described elsewhere in this prospectus will not be scaled back or diluted or that such reforms will achieve all or any of their intended aims.

As a land-locked country, Kazakhstan depends on neighbouring states for access to world markets for a number of its major exports, including oil, steel, copper, iron ore, alumina, coal, lead, zinc and wheat. Kazakhstan is thus dependent upon good relations with its neighbours to ensure its ability to export. In addition to taking various steps to promote regional economic integration among neighbouring countries, Kazakhstan signed an agreement in September 2003 with Ukraine, Russia, and Belarus for the creation of a single economic zone, which is expected to result in common economic policies, harmonisation of legislation implementing such policies and the creation of a single commission on trade and tariffs. The aim of the single economic zone is to create a free customs area within which member countries would enjoy free movement of goods, services, capital and labour. The member countries also intend to harmonise their fiscal, credit and currency policies to support further economic integration with the CIS countries and to assure continued access to export routes. However, should access to these routes be materially impaired, the economy of Kazakhstan could be adversely affected.

Like other countries in Central Asia, Kazakhstan could be affected by continuing political unrest in the region and the effect any resulting military action may have on the world economy and political stability of other countries. Also, like other countries in Central Asia, Kazakhstan could be affected by terrorism in the region. Any political or economic instability in Kazakhstan or in Central Asia generally could have a material adverse effect on our business, financial condition and results of operations.

Legislation in Kazakhstan may be subject to conflicting interpretations, which may have adverse consequences on our business.

The Kazakhstan legal system has the qualitative and vague characteristics typically found in a developing country, and many of its laws, particularly with respect to matters of taxation, are still evolving. A transaction or business structure that would likely be regarded under a more established legal system as appropriate and relatively straightforward might be regarded in Kazakhstan as outside the scope of existing Kazakhstan law, regulation or legal precedent. As a result, certain business arrangements or structures and certain tax planning mechanisms may carry significant risks. In particular, when business objectives and practicalities dictate the use of arrangements and structures that, while not necessarily contrary to settled Kazakhstan law, are sufficiently novel within a Kazakhstan legal context, it is possible that such arrangements may be invalidated.

The legal system in Kazakhstan has inherent uncertainties that could limit the legal protections available to us, which include (i) inconsistencies between laws; (ii) limited judicial and administrative guidance on interpreting Kazakhstan legislation; (iii) substantial gaps in the regulatory structure due to delay or absence of implementing regulations; (iv) the lack of established interpretations of new principles of Kazakhstan legislation, particularly those relating to business, corporate and securities laws; (v) a lack of judicial independence from political, social and commercial forces; and (vi) bankruptcy procedures that are not well developed and are subject to abuse. The Kazakhstan judicial system has relatively little experience in enforcing the laws and regulations that currently exist, leading to a degree of uncertainty as to the outcome of any litigation. It may be difficult to obtain swift and equitable enforcement, or to obtain enforcement of a judgement by a court of another jurisdiction.

In addition, while legislation has been enacted to protect private property against expropriation and nationalisation, due to the lack of experience in enforcing these provisions and political factors, these protections may not be enforced in the event of an attempted expropriation or nationalisation. Expropriation or nationalisation of any of our assets, or portions thereof, potentially without adequate compensation, could materially and adversely affect our business, financial condition and results of operations.

The laws and regulations of Kazakhstan relating to subsoil use are still developing, and uncertainties in such laws and regulations may have a material adverse effect on our customers and in turn could adversely affect our business.

Our customers in Kazakhstan as subsoil users are subject to the Subsoil Use Law and are required to have subsoil use licenses and/or subsoil use contracts. Under Kazakhstan laws, the subsoil use rights granted to

RISK FACTORS

relevant subsoil users are not granted in perpetuity. Both the Ministry of Oil and Gas for petroleum subsoil users and the Ministry of Industry and New Technologies for mining subsoil users may unilaterally terminate a subsoil use contract in case of more than two violations of contractual obligations set out in such subsoil use contract and relevant project documents. Hence, breaches of relevant provisions of a subsoil contract could conceivably lead to severe consequences, such as termination of relevant subsoil use rights. Further, as the 2010 Subsoil Law is relatively new, there have been few precedents that could provide clear guidance as to the consequences of breaches. To the best knowledge of our Directors after making enquiries with CNPC, our Directors are not aware of any breach of the provisions of any subsoil use licenses or contracts by CNPC or its subsidiaries or affiliates that are our customers in Kazakhstan that could result in a termination of the relevant subsoil use licenses or contracts maintained by these companies. As a significant portion of our revenue was attributable to our subsidiaries in Kazakhstan during the Track Record Period, our business could be adversely affected if the subsoil use rights obtained by any of our customers are terminated or restricted by Kazakhstan authorities.

Adverse developments in Kazakhstan's economy or fluctuations in the value of the Tenge could adversely affect our business.

The currency of Kazakhstan is the Tenge, which was introduced in November 1993. The Tenge is convertible for current account transactions, although it is not fully convertible outside Kazakhstan. Kazakhstan is heavily dependent upon export trade and commodity prices. Depressed export markets in 1998 and early 1999 caused considerable pressure on Kazakhstan's managed exchange rate, and subsequent official intervention in the foreign exchange markets led to depletion of its foreign currency reserves. In response to these pressures, the National Bank of Kazakhstan (the "NBK") instituted a number of expenditure cuts, implemented revenue-increasing measures and, in April 1999, allowed the Tenge to float freely. While the NBK has stated that it has no plans to resume a managed exchange rate policy, there can be no assurance that the NBK's exchange rate policy will not change and any subsequent decision to support the exchange rate may cause significant fluctuations in the exchange rate of Tenge. Given that we have a significant amount of revenue from Kazakhstan (accounting for 53.4% of our total revenue for the six months ended 30 June 2011), any significant fluctuation in the exchange rate of the Tenge could have an adverse impact on our business, financial condition and results of operations.

The Kazakhstan economy is highly dependent on oil exports. Accordingly, the Kazakhstan economy and our business may be affected by oil price volatility.

Countries in Central Asia, such as Kazakhstan, whose economies and state budgets rely in part on the export of oil and oil products and other commodities could be adversely affected by volatility in oil and other commodity prices and by any sustained fall in such prices. In addition, any fluctuations in the value of the U.S. dollar relative to other currencies, including the Tenge, may cause volatility on earnings from U.S. dollar-denominated oil exports. An oversupply of oil or other commodities in world markets or a general downturn in the economies of any significant markets for oil or other commodities or weakening of the U.S. dollar relative to other currencies, including the Tenge, might have a material adverse effect on the Kazakhstan economy, which would, in turn, have an adverse effect on our oilfield services business, financial condition and results of operations.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for our Shares.

Prior to the Global Offering, there has been no public market for our Shares. The initial issue price range for our Shares was the result of negotiations among us and the Sole Global Coordinator 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 for listing of, and permission to deal in, our Shares on the Hong Kong Stock Exchange. There is no assurance that the Global Offering will result in the development of an active, liquid public trading market for our Shares. Factors such as variations in our revenue, net income and cash flows or any other developments of the Group may affect the volume and price at which our Shares will be traded. If an active market for our Shares does not develop after the Global Offering, the market price and liquidity of our Shares

RISK FACTORS

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.

The trading volume and share price of the Shares may fluctuate.

The price and trading volume of our Shares may be highly volatile. Factors such as variations in our revenue, earnings and cash flow, announcements of new technologies, strategic alliances or events affecting our industry, currency fluctuations and general political, economic and market conditions could cause changes in the volume and price at which the Shares will trade. In addition, the Stock Exchange and other securities markets have, from time to time, experienced significant price and volume fluctuations that are not related to the operating performance of any particular company. These fluctuations may also materially and adversely affect the market price of our Shares.

Future sales, disposals or other transfers of our Shares by our current shareholders in the public market could adversely affect the prevailing market price of our Shares.

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 affect the market price of our Shares and our ability to raise equity capital in the future at a time and price 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.

Shareholders' interests may be diluted as a result of additional equity fund-raising.

We may need to raise additional funds in the future to finance further expansion of our capacity and business relating to our existing operations, acquisitions or strategic partnerships. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company other than on a pro rata basis to existing Shareholders, the percentage ownership of such Shareholders in our Company may be reduced, and such new securities may confer rights and privileges that take priority over those conferred by the Shares.

Historical dividends may not be a good indication of future dividends.

Under Cayman Islands law, we may only pay dividends out of our profits or our share premium account subject to our ability to service our debts as they fall due in the ordinary course of our business. Our ability to pay dividends will therefore depend on our ability to generate sufficient profits. We cannot give any assurance that we will declare dividends of any amounts, at any rate or at all in the future. Future dividends, if any, will be at the discretion of our Board and will depend upon our future operations and earnings, capital expenditure requirements, general financial conditions, legal and contractual restrictions and other factors that our Board may deem relevant. You should refer to the “Financial Information—Dividend and Dividend Policy” for additional information regarding our current dividend policy and the risk factor entitled “—Our corporate structure may restrict our ability to receive dividends from, and transfer funds to, our PRC operating subsidiaries, which could restrict our ability to act in response to changing market conditions in a timely manner” above for additional legal restrictions on the ability of our PRC subsidiaries to pay dividends to us.

Certain facts, forecasts and other statistics relating to the PRC, the PRC economy, the oil and gas industry and the oilfield services industry contained in this prospectus have not been independently verified.

Facts, forecasts and other statistics in this prospectus relating to the PRC, the Chinese economy, the oil and gas industry and the oilfield services industry have been derived from various sources, including those provided by government publications. We believe that the sources of this information are appropriate sources and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by us, the Sole Sponsor, the Underwriters or any other party involved in the Global Offering and no representation is given as to its accuracy.