

BUSINESS DEVELOPMENT

Introduction

We trace our history back to 1998, when SPT Beijing, one of our major operating subsidiaries, was founded in Beijing. Under the leadership of Mr. Wang and Mr. Wu, both of whom have approximately 20 years of experience in the oilfield services industry, our Group developed into a leading Chinese non-state-owned provider of integrated oilfield services.

Business milestones

Important milestone events in our history are set out below:

<u>Year</u>	<u>Event</u>
1998	SPT Beijing was founded and initiated market development activities in Western regions of China.
1999	PPS was incorporated in Canada, began to hold proprietary intellectual property, and commenced research and production of our world-class electronic pressure gauges.
2002	Started to develop our overseas business by first establishing our operations in Kazakhstan to provide reservoir testing and analysis services.
2004	Commenced cooperation with Halliburton. Provided well completion services for a high-pressure gas well for the first time in the Tarim Oilfield, and successfully completed an oil and gas well completion operation at a well with a high temperature of 165°C, depth of 6,394m and an ultra high pressure of 120Mpa. Successfully completed the well completion operation for the first 18 gas wells at the Sangji gas field for the “West-East Natural Gas Transmission Project”.
2005	Successfully produced our first batch of oilfield screens. Successfully completed the well completion operation for KELA 203 well in the KELA 2 gas field which was a major gas field for the “West-East Natural Gas Transmission Project,” thereby establishing our position as a leading provider of well completion services in the Tarim Oilfield.
2006	Established our reservoir services department and well completion services business department. Undertook to provide project management, cementing and drilling fluid services for wells in the Tarim Oilfield. Began to provide comprehensive drilling services in oilfields in Western China regions.
2007	Formed strategic alliance with Halliburton to provide oilfield services to CNPC’s oilfield projects in Tarim.
2008	Successfully entered the Turkmenistan market, and completed the first deal involving provision of 65 sets of well completion tools. Executed cooperation agreement with Halliburton to become its worldwide supplier of sand control screens. Our self-developed Model-40 drilling rig commenced operation in ADM oilfield in Kazakhstan. Began to provide FMPD services, geosteering drilling services and other high-end drilling services in the Tarim Oilfield. Commenced large scale workover operations in Kazakhstan, with an annual operation of approximately 1,600 well operations.

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Year	Event
2009	Successfully entered into the Indonesian market and obtained reservoir service contracts.
2010	<p>Successfully completed the first class-4 dual-lateral well drilling operation in the Tarim Oilfield. This well was the first with window in 7" pipe and one of deepest class-4 multilateral wells in the world.</p> <p>Successfully provided oil-based drilling fluid services to a well in the Tarim Oilfield with a depth of 8,023m.</p> <p>Successfully carried out pin-point coiled tubing fracturing services in the Changqing Oilfield. Achieved commercial scale services operation in providing conventional fracturing services in the Kyzyl-Orda area of Kazakhstan.</p>

CORPORATE HISTORY

Our Group's major business operations are located in the PRC, Kazakhstan and Canada. We had six PRC operating subsidiaries, three Kazakhstan subsidiaries and two Canadian subsidiaries before the Reorganisation. Our corporate history is set forth below.

(1) PRC subsidiaries

SPT Beijing

On 25 December 1998, SPT Beijing was established in Beijing with a registered capital of RMB2,000,000 and was owned by Wang Tingjin, Dong Jiechen, Mr. Wang, Mr. Wu and Zhao Hongtu as to 5%, 5%, 36%, 31% and 23%, respectively. SPT Beijing is engaged in the provision of oilfield services.

On 1 November 2007, each of Wang Tingjin and Dong Jiechen transferred a 5% equity interest in SPT Beijing, representing their entire equity interests in SPT Beijing, to Mr. Wu for consideration equivalent to the amount of the capital contributed by Wang Tingjin and Dong Jiechen, respectively. As a result, SPT Beijing was owned as to 36% by Mr. Wang, 41% by Mr. Wu and 23% by Zhao Hongtu. As Zhao Hongtu, who used to be an employee of SPT Beijing, was planning to leave SPT Beijing, he made a trust arrangement with Mr. Wang and Mr. Wu, pursuant to which Zhao Hongtu held the 23% equity interest for the interest of Mr. Wang with respect to 18.54% and Mr. Wu with respect to 4.46% effective as of 1 January 2008.

It was contemplated in January 2008 that a transfer of an aggregate of 95% equity interest in SPT Beijing, consisting of a 23% equity interest legally held by Zhao Hongtu, a 33.31% held by Mr. Wang and a 38.69% held by Mr. Wu, to POT Langfang for consideration equivalent to the amount of registered capital made in respect of that 95% equity interest. The contemplated aggregate 95% equity interest transfer was registered with relevant PRC authorities on 2 February 2008. However, given that the relevant consideration for such equity interest transfer was not paid and pursuant to the provisions in the relevant transfer agreements, no transfer of any beneficial title to those equity interests occurred, and POT Langfang held such equity interests in SPT Beijing in trust for relevant sellers who remained as the beneficial owners of such equity interests. On 14 October 2008, POT Langfang transferred the title to all such equity interests back to such beneficial owners. As a result, Mr. Wang and Mr. Wu legally hold 54.54% and 45.46% equity interests in SPT Beijing, respectively. Our PRC legal adviser confirmed that the series of transfers described above are in compliance with the applicable PRC laws and regulations and our Canadian legal adviser confirmed that the series of transfers will not be considered as tax evasion under applicable Canadian laws and regulations.

On 26 August 2010, the registered capital of SPT Beijing was increased from RMB2,000,000 to RMB10,000,000 with the subscription of the additional equity interest by Mr. Wang, for consideration of RMB4,363,200 and by Mr. Wu, for consideration of RMB3,636,800. As a result, the equity interest of Mr. Wang and Mr. Wu in SPT Beijing remained unchanged after the capital increase, and SPT Beijing continued to be owned as to 54.54% by Mr. Wang and 45.46% by Mr. Wu.

PSE Beijing

On 14 January 2000, PSE Beijing was established in Beijing and owned by Mr. Wang and Mr. Wu as to 54.55% and 45.45%, respectively, to carry out the business of manufacturing petroleum equipment.

On 29 April 2004, the registered capital of PSE Beijing was increased from RMB1,100,000 to RMB2,200,000 with the subscription of the additional equity interest by Mr. Wang and Mr. Wu on a pro rata basis with reference to their then respective equity interests in PSE Beijing. The shareholding structure of PSE Beijing remained unchanged after the capital increase, i.e., PSE Beijing was owned as to 54.44% by Mr. Wang and 45.56% by Mr. Wu.

On 29 April 2005, the registered capital of PSE Beijing was increased from RMB2,200,000 to RMB10,000,000 with the subscription of the additional equity interest by Beijing Rui Qier, for consideration of RMB7,800,000. As a result, PSE Beijing was legally owned as to 12% by Mr. Wang, 10% by Mr. Wu and 78% by Beijing Rui Qier. Beijing Rui Qier was wholly owned by Hu Zhihua, sister-in-law of Mr. Wang. Beijing Rui Qier held the 42.55% and 35.45% equity interests in PSE Beijing as nominee on behalf of Mr. Wang and Mr. Wu, respectively. The increase in registered capital was intended to be subscribed and held by Mr. Wang and Mr. Wu, as Mr. Wang and Mr. Wu did not have sufficient cash for the capital injection at the time of the capital increase of PSE Beijing.

On 25 May 2005, Beijing Rui Qier transferred 42.55% and 35.45% equity interests in PSE Beijing, representing its entire equity interests in PSE Beijing, to Mr. Wang and Mr. Wu, respectively, for aggregate consideration equivalent to the amount of the capital contributed by Beijing Rui Qier on a pro rata basis. As a result, PSE Beijing was owned as to 54.55% by Mr. Wang and 45.45% by Mr. Wu.

In January 2008, Mr. Wang and Mr. Wu contemplated to respectively transfer 51.82% and 43.18% equity interests in PSE Beijing to POT Langfang for consideration equivalent to the amount of relevant registered capital. The contemplated equity interest transfers were registered with relevant PRC authorities on 8 January 2008. However, given that the relevant consideration for such equity interest transfers was not paid and pursuant to the provisions in the relevant transfer agreements, no transfer of any beneficial title to those equity interests occurred, and POT Langfang held the equity interest in PSE Beijing in trust for relevant sellers who remained as the beneficial owners of such equity interests. On 14 October 2008, POT Langfang transferred the title to all such equity interests back to relevant sellers. As a result, Mr. Wang and Mr. Wu legally hold 54.55% and 45.45% equity interests in PSE Beijing, respectively. Our PRC legal adviser confirmed that the series of transfers described above are in compliance with the applicable PRC laws and regulations and our Canadian legal adviser confirmed that the series of transfers will not be considered as tax evasion under applicable Canadian laws and regulations.

POT Langfang

On 29 August 2001, POT Langfang was established in Hebei Province by PPS, our Canadian subsidiary, with a registered capital of US\$1,000,000 as a wholly foreign-owned enterprise for the manufacturing of petroleum equipment.

SET Beijing

On 11 January 2006, SET Beijing was established in Beijing with a registered capital of RMB30,000,000 and owned by Beijing Rui Qier as to 40% and PSE Beijing as to 60%. It is engaged in the trading of petroleum equipment. Beijing Rui Qier held the 21.82% and 18.18% equity interests in SET Beijing on behalf of Mr. Wang and Mr. Wu, respectively, as Mr. Wang and Mr. Wu did not have sufficient cash for the capital injection at the time of incorporation of SET Beijing.

On 20 October 2006, Beijing Rui Qier transferred 21.82% and 18.18% equity interests in SET Beijing, representing its entire equity interests in SET Beijing, to Mr. Wang and Mr. Wu, respectively, for aggregate consideration of RMB12,000,000, which was equal to the amount of the capital contributed by Beijing Rui Qier

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in January 2006. As a result, SET Beijing was owned as to 21.82% by Mr. Wang, 18.18% by Mr. Wu and 60% by PSE Beijing.

On 15 October 2007, the registered capital of SET Beijing was decreased from RMB30,000,000 to RMB15,600,000 due to the decrease in contribution to the capital of SET Beijing by PSE Beijing from RMB18,000,000 to RMB3,600,000. As a result, SET Beijing was owned as to 41.96% by Mr. Wang, 34.97% by Mr. Wu and 23.07% by PSE Beijing.

NROT Tianjin

On 2 March 2006, NROT Tianjin was established in Tianjin and owned by PSE Beijing as to 70% and by PPS as to 30% with a registered capital of US\$1,000,000. NROT Tianjin is engaged in the manufacture of petroleum equipment.

SPT Xinjiang

On 13 November 2006, SPT Xinjiang was established in Xinjiang Uyghur Autonomous Region and was owned by PSE Beijing as to 40% and SET Beijing as to 60% with a registered capital of RMB5,000,000. It is engaged in the provision of oilfield services.

On 9 February 2007, the registered capital of SPT Xinjiang was increased from RMB5,000,000 to RMB30,000,000 with the subscription of the additional equity interest by PSE Beijing, SET Beijing and SPT Beijing in the amounts of RMB3,000,000, RMB7,000,000 and RMB15,000,000, respectively. As a result, SPT Xinjiang was owned as to 16.67% by PSE Beijing, 33.33% by SET Beijing and 50% by SPT Beijing.

(2) Kazakhstan subsidiaries

On 14 November 2003, M-Tech was incorporated and legally wholly owned by Mr. Wang, who was also responsible for managing the daily operations of M-Tech. As confirmed by a Declaration of Trust signed by Mr. Wang on 20 October 2009, M-Tech was beneficially owned by Mr. Wang as to 51% and Mr. Wu as to 49% before the Reorganisation.

On 10 February 2006, FD Services was incorporated and legally wholly owned by Mr. Wu. As confirmed by a Declaration of Trust signed by Mr. Wu on 20 October 2009, FD Services was beneficially owned by Mr. Wang as to 51% and Mr. Wu as to 49% before the Reorganisation.

The capital contributions of M-Tech and FD Services were provided by certain subsidiaries of our Group owned by Mr. Wang and Mr. Wu. Mr. Wang was responsible for the management of M-Tech and was registered as the sole shareholder of M-Tech. Mr. Wu was responsible for the management of FD Services and was registered as the sole shareholder of FD Services. Mr. Wang and Mr. Wu have confirmed the beneficial ownership by Declaration of Trust mentioned above.

Since Kazakhstan laws do not have the concept of “trust”, these Declarations of Trust are therefore governed by Hong Kong laws. Our Hong Kong legal adviser is of the view that such Declarations of Trust were legal, valid and enforceable under Hong Kong laws and our Kazakhstan legal adviser is of the view that such Declarations of Trust do not violate any Kazakhstan laws. The trust arrangement in relation to M-Tech was terminated following transfer of M-Tech to M-Tech Netherlands, details of which are set out in the sub-section headed “(4) Reorganisation of Kazakhstan Subsidiaries” below.

M-Tech has a branch operating in the Mangistan region of Kazakhstan registered on 20 July 2007.

On 21 December 2005, CNEC was incorporated and wholly owned by CNEC BVI.⁽¹⁾

(1) CNEC BVI was incorporated by Mr. Wang, Mr. Wu, Ms. Shen, Mr. Zhao and Hu Su and was excluded from our Group after the Reorganisation. Please refer to the sub-section headed “Disposal of the four operating BVI Companies” below in this section for further details.

(3) Canadian subsidiaries

On 26 October 1999, PPS was incorporated under the laws of Alberta, Canada to engage in the production and trading of equipment for oilfield services. On 22 November 2000, Enecal was incorporated under the laws of Alberta, Canada to engage in the production and trading of equipment for oilfield services.

During the period from incorporation of PPS to 2 July 2008, the registered shareholders of PPS were Mr. Wang as to 40% and Mr. Zhao as to 60%. During the period from 2 July 2008 to 20 December 2010, the registered shareholders of PPS were Mr. Wang as to 40.8%, Mr. Wu as to 39.2% and Mr. Zhao as to 20%.⁽²⁾

During the period from incorporation of Enecal to 2 July 2008, the registered shareholders of Enecal were Mr. Wang as to 45% and Mr. Zhao as to 55%. During the period from 2 July 2008 to 20 December 2010, the registered shareholders of Enecal were Mr. Wang as to 40.8%, Mr. Wu as to 39.2% and Mr. Zhao as to 20%.⁽³⁾

REORGANISATION

Our corporate structure has been reorganised over recent years leading up to the establishment of our Company and later in preparation for the Listing.

(1) Establishment of our Company and its holding structure

Our Company was incorporated on 12 June 2008 under the laws of the Cayman Islands as an exempted company with limited liability. As of the date of incorporation, the authorised share capital of our Company was US\$50,000 divided into 500,000,000 shares of US\$0.0001 each. On 3 September 2008, 98 shares of US\$0.0001 each in our Company were issued to Mr. Wang as to 51% and Mr. Wu as to 49%.

During the period from 2008 to 2009, our Company allotted and issued Shares to True Harmony Limited and certain BVI companies, namely Truepath Limited, Widescope Holdings Limited, Jumbo Wind Limited and Windsorland Limited (collectively the “BVI Holding Companies”) then directly owned by Mr. Wang, Mr. Wu, Mr. Wang Jinbo and Ms. Shen (collectively as the “Individual Shareholders”), details of which are disclosed in the section headed “Changes in share capital in our Company” in Appendix VI to this prospectus.

In February 2009, each of the Individual Shareholders set up a discretionary trust under Singapore laws, which holds their respective interest in our Company through the BVI Holding Companies and their respective Bahamas holding companies. Each of the Individual Shareholders is the settler of his/her respective trust, and each of them and his/her respective family members are the beneficiaries. Credit Suisse Trust Limited is the trustee for each of the four trusts.

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- (2) Mr. Zhao signed a statutory declaration on 2 July 2008 to confirm that he held a 40% interest in PPS for Mr. Wang and Mr. Wu jointly. PPS passed board resolutions and shareholders resolutions, reissued share certificates and amended the register of shareholders to confirm (i) the beneficial ownership of PPS since its incorporation; and (ii) that Mr. Wang, Mr. Wu and Mr. Zhao’s legal ownership in PPS was 40.8%, 39.2% and 20.0%, respectively, effective from 2 July 2008. The relevant capital contribution to PPS was made by the beneficial shareholders in proportion to their beneficial interests in PPS. For the convenience of incorporation and management of PPS, Mr. Zhao, who is a Canadian resident and on-site manager, was nominated to set up Enecal and held certain shares in trust for the beneficial owner. Our Canadian legal adviser is of the view that this arrangement was legal, valid and enforceable under the laws of Alberta, Canada. This arrangement was terminated following the transfer of PPS to NAH Netherlands, details of which are set out in the sub-section headed “(5) Reorganisation of Canadian subsidiaries” in this section of the prospectus.
- (3) Mr. Wang signed a statutory declaration on 2 July 2008 to confirm that he held a 4.2% interest in Enecal for Mr. Wu. Mr. Zhao signed a statutory declaration on 2 July 2008 to confirm that he held a 35% interest in Enecal for Mr. Wu. Enecal passed board resolutions and shareholders resolutions, reissued share certificates and amended the register of shareholders to confirm (i) the beneficial ownership of Enecal since its incorporation; and (ii) that Mr. Wang, Mr. Wu and Mr. Zhao’s legal ownership in Enecal was 40.8%, 39.2% and 20.0%, respectively, effective from 2 July 2008. The relevant capital contribution to Enecal was made by the beneficial shareholders in proportion to their beneficial interests in Enecal. For the convenience of incorporation and management of Enecal, Mr. Zhao, who is a Canadian resident and on-site manager was nominated to set up Enecal and held certain shares on trust for the beneficial owners. Our Canadian legal adviser is of the view that this arrangement was legal, valid and enforceable under the laws of Alberta, Canada. This arrangement was terminated following the transfer of Enecal to NAH Netherlands, details of which are set out in the sub-section headed “(5) Reorganisation of Canadian subsidiaries” in this section of the prospectus.

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The interest in True Harmony Limited is held by True Harmony Trust as to 95.66% (representing a 14.56% interest in our Company) and by a senior manager of our Group, Roger Dale Rion, as to 4.34% (representing a 0.66% interest in our Company). True Harmony Trust is a discretionary trust established under Singapore laws on 10 February 2009. Mr. Wu is the settler of True Harmony Trust. Mr. Wu and six members of senior management of our Company are the beneficiaries. Credit Suisse Trust Limited is the trustee of the True Harmony Trust.

In 2010, certain transfers of Shares took place among the BVI Holding Companies and True Harmony, details of which are set out in the sub-section headed “Changes in share capital in our Company” in Appendix VI to the prospectus.

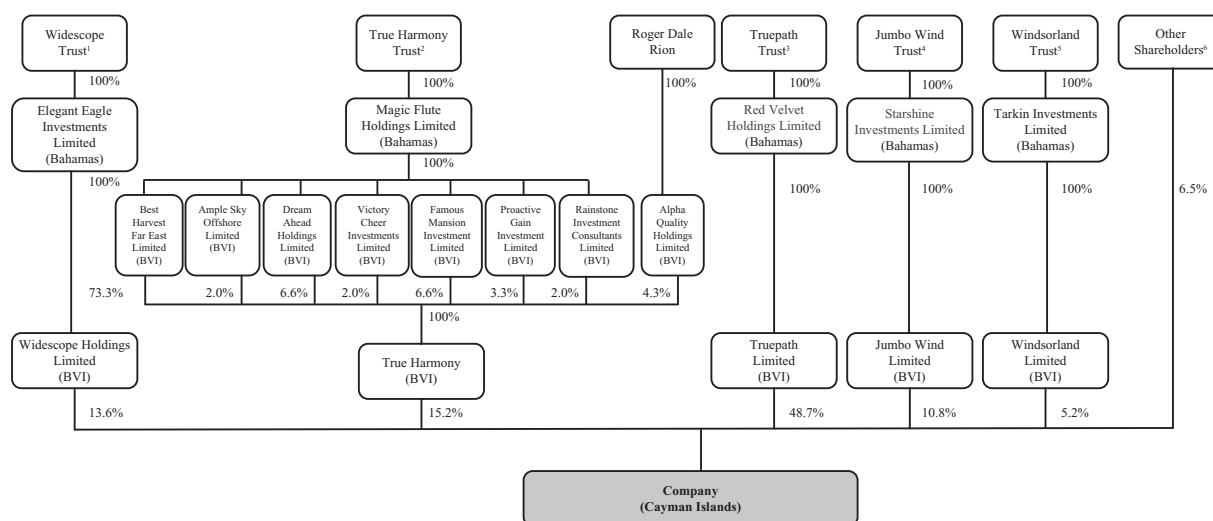
As a result of the above, the shareholding structure of our Company as held by the trusts is set out below.

	The Truepath Trust	The Widescope Trust	The Jumbo Wind Trust	The Windsorland Trust	The True Harmony Trust
Beneficiaries of the trust	Mr. Wang and his family members	Mr. Wu and his family members	Mr. Wang Jinbo and his family members	Ms. Shen and his family members	Mr. Wu and six other employees of our Group ⁽¹⁾
% of total issued Shares held by the trust	48.7%	13.6%	10.8%	5.2%	15.2%

Note:

(1) The six members of senior management of our Company were Mr. Zhang Jianyong, Mr. Wang Fan, Mr. Yang Xiaohui, Mr. Hu Su, Ms. Ming Hongmei and Mr. Sun. They each became interested in our Shares through True Harmony Trust when the trust was set up on 10 February 2009. Pursuant to a deed of removal and appointment of beneficiaries dated 1 November 2011, Mr. Zhang Jianyong, Mr. Hu Su and Mr. Sun were removed as beneficiaries of the trust and Mr. Jiang Qingsong, Mr. Li Zhiguo and Mr. Liu Dongqing were appointed as beneficiaries of the trust.

The following chart sets out the shareholding structure of our Company as of the Latest Practicable Date.



Notes:

- (1) The Widescope Trust is a discretionary trust established by Mr. Wu. (“Widescope Trust”)
- (2) The True Harmony Trust is a discretionary trust established by Mr. Wu. (“True Harmony Trust”)
- (3) The Truepath Trust is a discretionary trust established by Mr. Wang. (“Truepath Trust”)
- (4) The Jumbo Wind Trust is a discretionary trust established by Mr. Wang Jinbo. (“Jumbo Wind Trust”)
- (5) The Windsorland Trust is a discretionary trust established by Ms. Shen. (“Windsorland Trust”)
- (6) 6,450,000 Shares, representing 6.5% of the entire equity interest of our Company, were held by members of senior management of our Company.

(2) Incorporation of SPT HK and its direct subsidiaries

On 18 June 2008, SPT HK was incorporated with an authorised and issued share capital of HK\$1,000,000 divided into 100,000 shares of HK\$10 each. Upon incorporation, Mr. Wang and Mr. Wu held 51% and 49% interests in SPT HK, respectively. On 27 February 2009, our Company acquired the entire interest of SPT HK from Mr. Wang and Mr. Wu for total consideration of HK\$1,000,000.

On 23 September 2008, SPT HK incorporated SPT Luxembourg, and SPT Luxembourg incorporated eleven Dutch companies between late 2008 and 2010. The eleven Dutch companies are the holding companies of our Group's six Kazakhstan subsidiaries, two Canadian subsidiaries, one Turkmenistan subsidiary, one Uzbekistan subsidiary and one Indonesian subsidiary, respectively. Please refer to the sub-sections headed "Reorganisation of Kazakhstan subsidiaries", "Reorganisation of Canadian subsidiaries" and "Incorporation of subsidiaries in other Jurisdictions" in this section for further details of these subsidiaries.

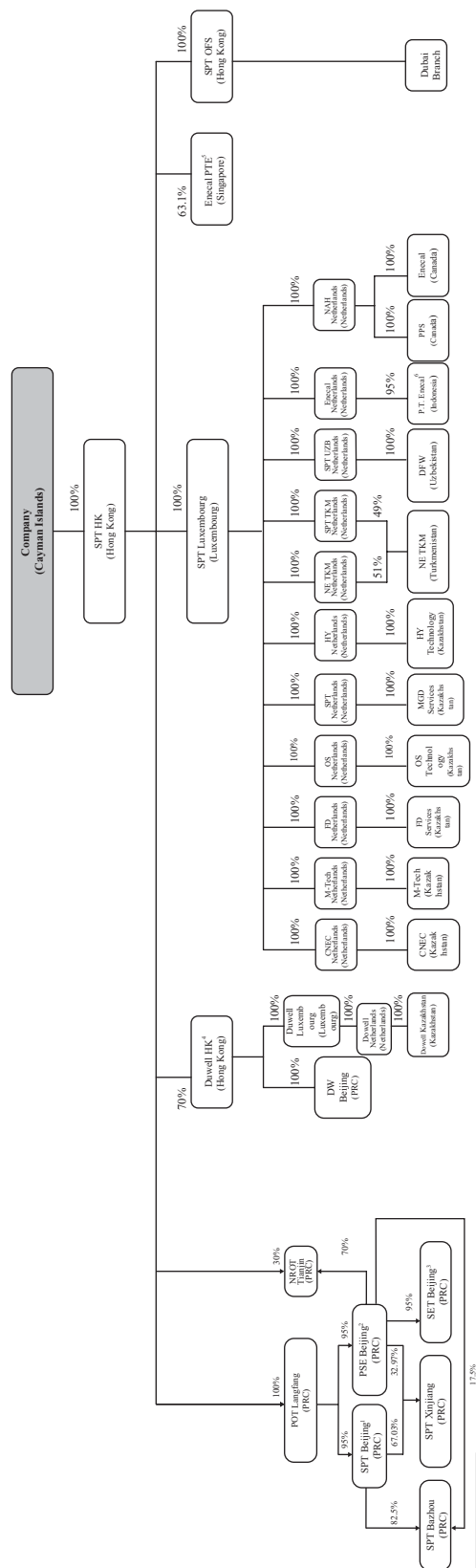
On 21 April 2009, SPT HK incorporated SPT OFS in Hong Kong with an authorised and issued share capital of HK\$100,000. SPT OFS is an investment holding company and has a branch office in Dubai. Please refer to the sub-section headed "Incorporation of subsidiaries in other jurisdictions" in this section for further details.

On 11 February 2010, Duwell HK was incorporated as a holding company with an authorised and issued share capital of HK\$10,000. It was owned directly by SPT HK as to 70% and by Constant Way Limited, a BVI holding company owned by Mr. Alibi Bahayev, an Independent Third Party and the general manager of Dowell Kazakhstan, as to 30%. Duwell HK further incorporated DW Beijing, a PRC company in 2010 and acquired Dowell Kazakhstan, a Kazakhstan company from Mr. Tan Zhiwu, an Independent Third Party, for consideration of US\$100 in 2011. Please refer to the sub-sections headed "Reorganisation of PRC subsidiaries" and "Reorganisation of Kazakhstan subsidiaries" in this section for further details.

On 6 January 2011, SPT HK acquired a 100% equity interest in POT Langfang from PPS for consideration of US\$1,000,000 and became the offshore holding company of our PRC subsidiaries. Please refer to the sub-section headed "Reorganisation of PRC subsidiaries" in this section for further details.

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The following chart sets out the shareholding structure of SPT HK and its subsidiaries as of the Latest Practicable Date.



Notes:

- (1) The remaining interest of SPT Beijing is owned by Mr. Wang as to 2.73% and Mr. Wu as to 2.27%.
- (2) The remaining interest of PSE Beijing is owned by Mr. Wang as to 2.73% and Mr. Wu as to 2.27%.
- (3) The remaining interest of SET Beijing is owned by Mr. Wang as to 2.7% and Mr. Wu as to 2.3%.
- (4) The remaining interest in Duwell HK is owned by Constant Way Limited, a BVI holding company owned by Mr. Alibi Bahayev, an Independent Third Party and the general manager of Duwell Kazakhstan.
- (5) The remaining interest in Encaj PTE is owned by Mr. Wang, Mr. Wu, Ms. Shen and Mr. Zhao through their respective BVI holding companies.
- (6) The remaining interest in P.T. Encaj is owned by Hendri Saleh, an Independent Third Party.

(3) Reorganisation of PRC subsidiaries

Transfer and increase in registered capital of SPT Xinjiang

On 15 December 2007, SET Beijing transferred a 33.33% equity interest in SPT Xinjiang, representing its entire equity interest in SPT Xinjiang, to SPT Beijing for consideration of RMB10,000,000, equivalent to the amount of the capital contributed by SET Beijing. On 25 December 2007, the registered capital of SPT Xinjiang was increased from RMB30,000,000 to RMB43,220,000 with the subscription of the additional equity interests by PSE Beijing and SPT Beijing for consideration of RMB9,250,000 and RMB3,970,000, respectively. As a result, SPT Xinjiang was owned as to 32.97% by PSE Beijing and 67.03% by SPT Beijing.

PSE Beijing acquired a 95% interest in SET Beijing

On 18 December 2007, PSE Beijing entered into the share transfer agreements to acquire the 39.23% and 32.70% equity interests in SET Beijing from Mr. Wang and Mr. Wu, respectively, for consideration equivalent to the amount of the capital contributed by Mr. Wang and Mr. Wu on a pro rata basis. On 2 January 2008, SET Beijing obtained the renewed business license reflecting the above transfers. As a result, SET Beijing was owned as to 2.7% by Mr. Wang, 2.3% by Mr. Wu and 95% by PSE Beijing.

Incorporation of SPT Bazhou and DW Beijing

On 9 August 2010, SPT Beijing and Wu Ling, an Independent Third Party, established SPT Bazhou, a limited liability company in Xinjiang Uyghur Autonomous Region, with a registered capital of RMB5,000,000. SPT Bazhou is engaged in the manufacture of petroleum equipment.

On 25 September 2010, Duwell HK established DW Beijing, a limited liability company, with a registered capital of RMB10,000,000. DW Beijing is engaged in well testing services.

SPT HK acquired a 100% interest in POT Langfang and a 30% interest in NROT Tianjin

On 6 January 2011, PPS transferred a 100% equity interest in POT Langfang to SPT HK for consideration of US\$1,000,000, which is equivalent to the amount of the registered capital of POT Langfang. As a result, the registered capital of POT Langfang was wholly owned by SPT HK.

On 14 February 2011, PPS transferred a 30% equity interest in NROT Tianjin, representing its entire equity interest in NROT Tianjin, to SPT HK for consideration of US\$736,236.04, which is equivalent to the book value of the net assets of NROT Tianjin as of 31 December 2010 on a pro rata basis. As a result, the registered capital of NROT Tianjin was owned as to 30% by SPT HK and 70% by PSE Beijing.

POT Langfang acquired a 95% interest in SPT Beijing and PSE Beijing

On 14 February 2011, POT Langfang acquired 51.81% and 43.19% equity interests in SPT Beijing from Mr. Wang and Mr. Wu for consideration of RMB8,438,397.84 and RMB7,034,441.28, respectively. The consideration is equivalent to the book value of the net assets of SPT Beijing as of 31 December 2010 on a pro rata basis. As a result, the registered capital of SPT Beijing was owned as to 2.73% by Mr. Wang, 2.27% by Mr. Wu and 95% by POT Langfang. The consideration was fully paid in June 2011.

On 14 February 2011, POT Langfang acquired 51.815% and 43.185% equity interests in PSE Beijing from Mr. Wang and Mr. Wu for consideration of RMB77,758,137.48 and RMB64,807,201.91, respectively. The consideration is equivalent to the book value of the net assets of PSE Beijing as of 31 December 2010 on a pro rata basis. As a result, the registered capital of PSE Beijing was owned as to 2.73% by Mr. Wang, 2.27% by Mr. Wu and 95% by POT Langfang. The consideration was fully paid in June 2011.

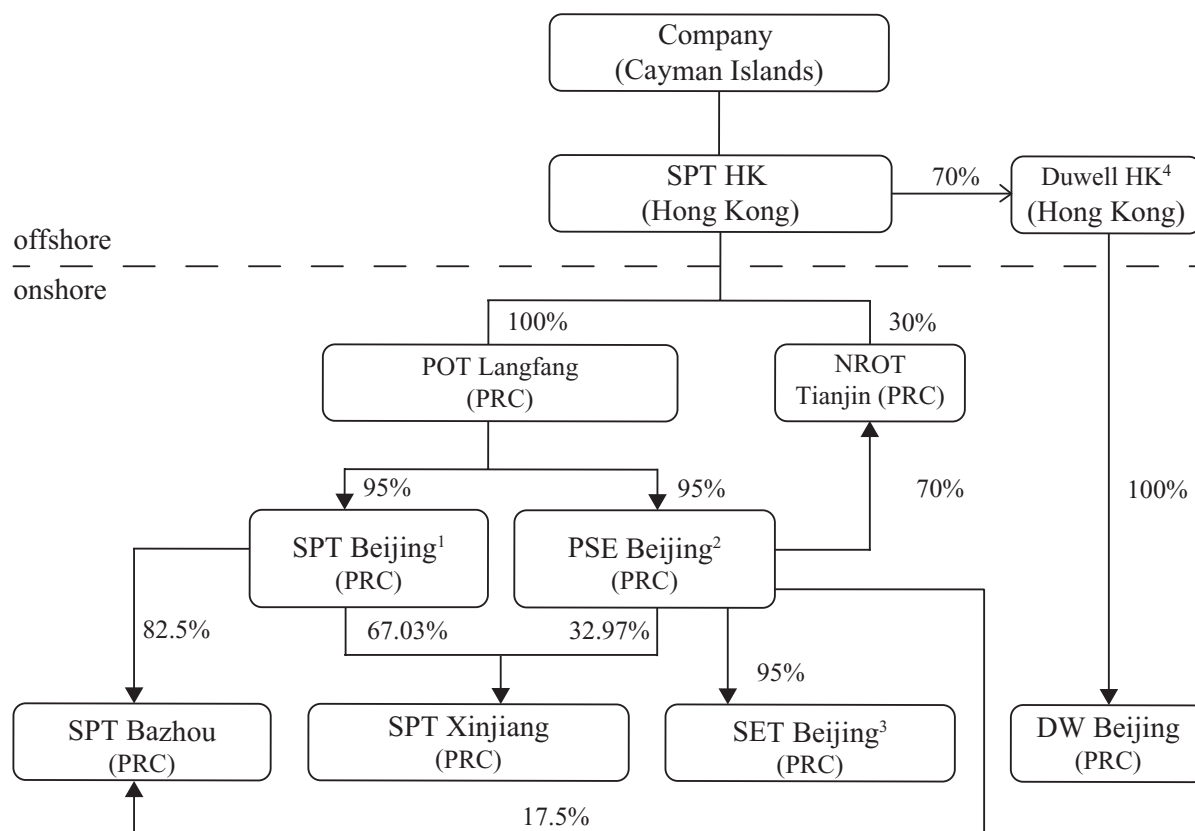
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Increase in registered capital and transfer of SPT Bazhou

On 20 October 2011, the registered capital of SPT Bazhou was increased from RMB5,000,000 to RMB10,000,000 with the subscription of the additional equity interest by SPT Beijing for consideration of RMB5,000,000. As a result, the equity interest of SPT Bazhou was owned as to 82.5% by SPT Beijing and 17.5% by Wu Ling.

On 22 November 2011, Wu Ling transferred her entire equity interests in SPT Bazhou to PSE Beijing for consideration of RMB1,750,000. As a result, SPT Bazhou was owned as to 82.5% by SPT Beijing and 17.5% by PSE Beijing.

The following chart sets out the shareholding structure of our PRC subsidiaries as of the Latest Practicable Date.



Notes:

- (1) The remaining interest of SPT Beijing is owned by Mr. Wang as to 2.73% and Mr. Wu as to 2.27%.
- (2) The remaining interest of PSE Beijing is owned by Mr. Wang as to 2.73% and Mr. Wu as to 2.27%.
- (3) The remaining interest of SET Beijing is owned by Mr. Wang as to 2.7% and Mr. Wu as to 2.3%.
- (4) The remaining interest in Duwell HK is owned by Constant Way Limited, a BVI holding company owned by Mr. Alibi Bahayev, an Independent Third Party and the general manager of Dowell Kazakhstan.

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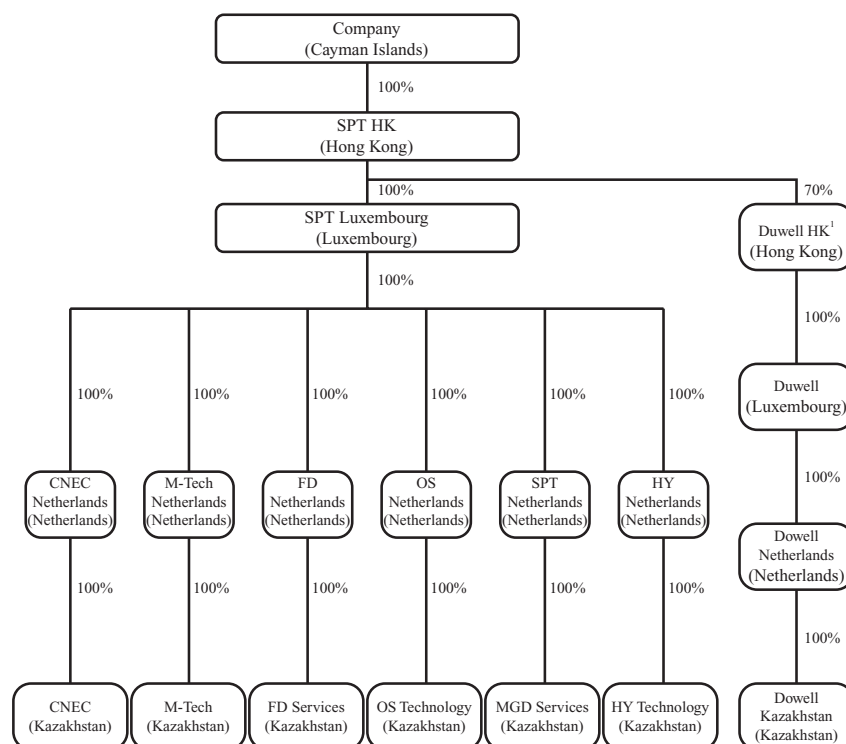
(4) Reorganisation of Kazakhstan subsidiaries

On 3 October 2010, our three operating Kazakhstan subsidiaries, CNEC, FD-Services and M-Tech were transferred to three Dutch holding companies at a nominal value of US\$100 each.

To strengthen our oilfield services business in Kazakhstan, we established three additional Kazakhstan subsidiaries, namely, OS Technology on 5 January 2010, MGD Services on 19 January 2011 and HY Technology on 24 January 2011. OS Technology has one branch operating in the Atyrau region of Kazakhstan registered on 20 August 2010 and one representative office operating in the Astana region of Kazakhstan registered on 22 September 2010.

In addition, on 14 January 2011, our subsidiary Duwell HK, which is owned as to 70% by SPT HK, acquired a 100% participatory interest in Dowell Kazakhstan from Mr. Tan Zhiwu, an Independent Third Party, for consideration of US\$100.

The following chart sets out the shareholding structure of our Kazakhstan subsidiaries as of the Latest Practicable Date.



Note:

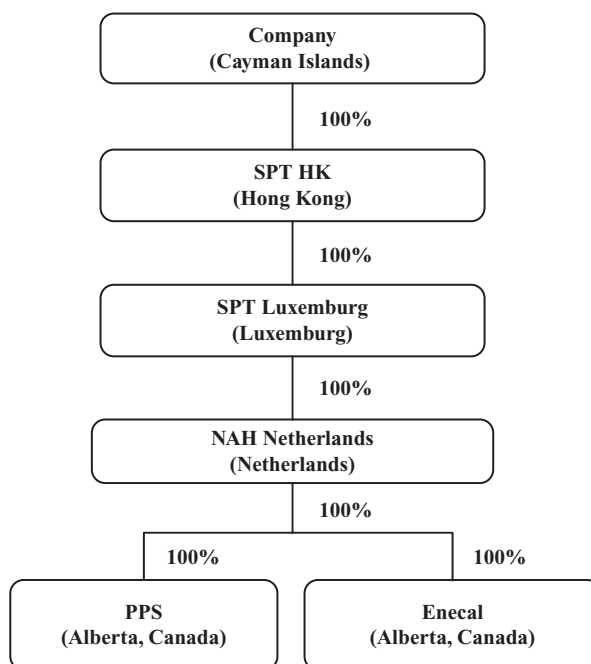
- (1) The remaining interest of Duwell HK is owned by Constant Way Limited, a BVI holding company owned by Mr. Alibi Babayev, an Independent Third Party and the general manager of Dowell Kazakhstan.

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(5) Reorganisation of Canadian subsidiaries

On 20 December 2010, Mr. Wang, Mr. Wu and Mr. Zhao transferred their respective interests in PPS and Enecal to NAH Netherlands for consideration of US\$1,000,000 and US\$500,000, respectively. Under the sale and purchase agreements, the consideration may be adjusted based on valuation reports to be issued by a third-party appraiser subject to the agreement of the parties.

The following chart sets out the shareholding structure of our Canadian subsidiaries as of the Latest Practicable Date.



(6) Incorporation of subsidiaries in other jurisdictions

Singapore

On 26 May 2009, Enecal PTE was incorporated in Singapore, and is currently engaged in the procurement and trading of equipment and tools required in the provision of our oilfield services. Upon incorporation, Mr. Wang, Mr. Wu and Mr. Zhao held 40.8%, 39.2% and 20.0% interests, respectively, in Enecal PTE through their wholly owned BVI holding companies. After the issuance and subscription of new shares of Enecal PTE on 26 April 2010, SPT HK held 300,000 ordinary shares in Enecal PTE, representing 60% of the entire share capital of Enecal PTE. The shares originally held by Mr. Wang, Mr. Wu, and Mr. Zhao were converted into 81,600, 78,400 and 40,000 preference shares of Enecal PTE, representing 16.3%, 15.7% and 8% of its share capital, respectively.

After the issuance and subscription of new shares of Enecal PTE on 5 January 2011, SPT HK held 600,000 ordinary shares in Enecal PTE, representing 63.2% of the entire share capital of Enecal PTE. Enecal PTE also issued further preference shares to Mr. Wang, Mr. Wu, and Ms. Shen on 5 January 2011. As a result, Mr. Wang, Mr. Wu, Ms. Shen and Mr. Zhao held 131,600, 128,400, 50,000 and 40,000 preference shares of Enecal PTE, representing 13.9%, 13.5%, 5.3% and 4.2% of the share capital of Enecal PTE, respectively. Mr. Wang, Mr. Wu, Ms. Shen and Mr. Zhao retain an equity interest in Enecal PTE because they are in the process of applying for citizenship in Singapore and their investment in Enecal PTE would satisfy the immigration requirements of the Singapore government. Moreover, in order for SPT HK to have control of Enecal PTE and have the right to consolidate its accounts, the holders of the preference shares are not entitled to dividends unless distributable profits of Enecal PTE exceed S\$10,000,000,000 which is unlikely to happen, nor are they entitled to voting rights with respect to Enecal PTE except for matters specifically provided for under the Singapore Companies Act. SPT HK has entered into an exclusive call option agreement with each of the holders of the preference shares, under

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which SPT HK has a right to purchase the preference shares for consideration equivalent to the respective capital contribution of the holders of the preference shares. SPT HK will exercise the call option as soon as the holders of the preference shares become Singapore citizens.

Indonesia

On 29 June 2009, P.T. Enecal was incorporated in Indonesia by Enecal Netherlands as to 95% and by Hendri Saleh as to 5% with a registered share capital of US\$1,000,000. It is engaged in the provision of oilfield services.

Uzbekistan

On 28 August 2009, DFW was incorporated in Uzbekistan by SPT UZB Netherlands with a registered capital of US\$10,000. It is intended to be engaged in the provision of oilfield services. There have not been any significant business activities since its incorporation.

Turkmenistan

On 20 September 2010, NE TKM was incorporated in Turkmenistan and was owned by NE TKM Netherlands as to 51% and SPT TKM Netherlands as to 49% with a registered capital of 142,500 Turkmenistan Manats. It is principally engaged in the provision of oilfield services.

In addition, SPT Beijing has a branch operating in Turkmenistan registered on 14 July 2008.

United Arab Emirates

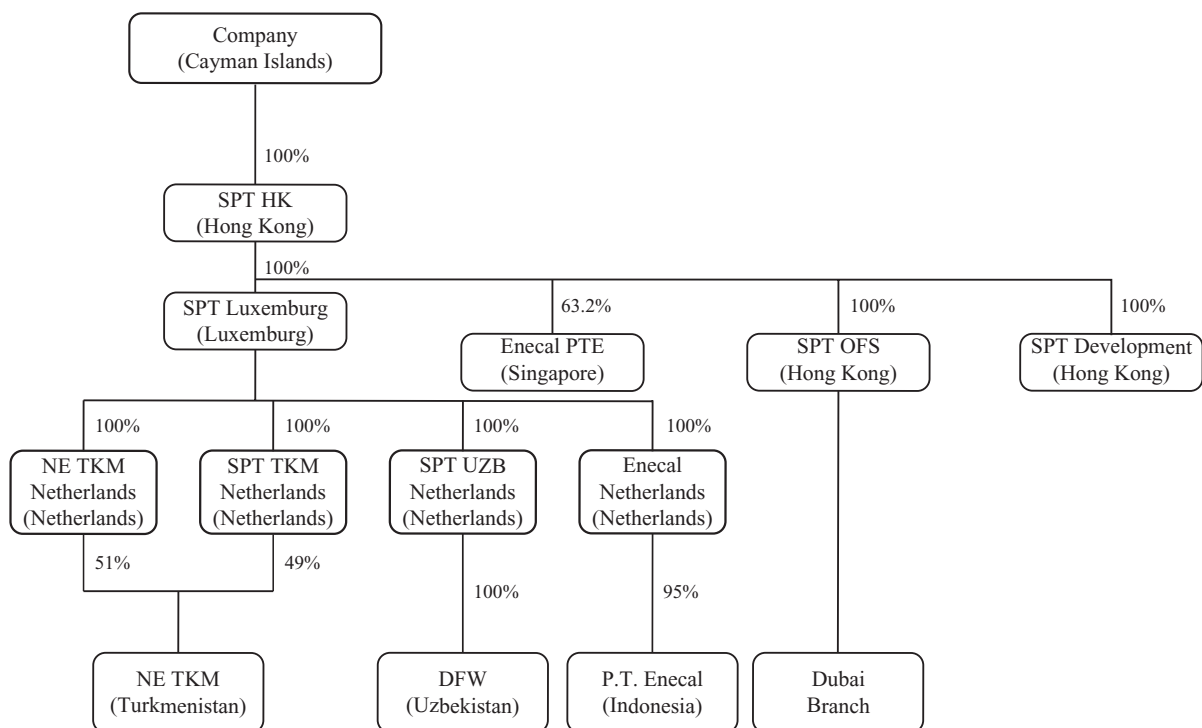
The Dubai branch office of SPT OFS was registered on 5 July 2010. It is primarily engaged in the trading of oil and gas instruments.

Hong Kong

On 14 January 2010, SPT Development was incorporated in Hong Kong by our Company with a registered capital of HK\$100,000. It is intended to be engaged in the provision of oilfield services. There have not been any significant business activities since its incorporation.

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The following chart sets out the shareholding structure of our subsidiaries in other jurisdictions.



(7) Exclusion of four operating BVI companies and restructuring of accounts payables to the BVI Companies

Mr. Wang, Mr. Wu and Ms. Shen beneficially owned 50%, 40% and 10%, respectively, of the following four operating BVI companies: Sinopetroleum International Ltd., National Energy Corp. CNEC BVI and North Resources Corp. (collectively the “BVI Companies”). Sinopetroleum International Ltd. was incorporated in 2003 and was legally owned by Mr. Wang, Mr. Wu and Ms. Shen as to 50%, 40% and 10%, respectively. National Energy Corp was incorporated in 2004 and was legally owned by Mr. Wang, Mr. Wu and Ms. Shen as to 47%, 45% and 8%, respectively. CNEC BVI was incorporated in 2005 and was legally owned by Mr. Wang, Mr. Wu, Ms. Shen, Mr. Zhao and Hu Su as to approximately 54.22%, 32.76%, 5.82%, 4.0% and 3.2%, respectively. North Resources Corp. was incorporated in 2005 and was legally owned by CNEC BVI. The legal ownership of National Energy Corp. and CNEC BVI was different from their respective beneficial ownership because of the trust arrangement in place for these two companies where certain shares of these two companies were legally owned by Mr. Zhao and Hu Su so that they had the power and authority as shareholders to manage the operations of these companies.

During the Track Record Period, the BVI Companies provided services to and traded with the Debtors in various jurisdictions. The BVI companies purchased completion tools from offshore petroleum equipment suppliers such as Halliburton and sold them to associated companies or independent third-party customers. The BVI companies also provided consulting services to the Kazakhstan subsidiaries of our Group and Independent Third Parties, such as providing analyses and interpretation of reservoir data and on-site work training. These trading activities and consulting services were conducted and provided on an arm’s length basis and on normal commercial terms. The effect of these transactions among the BVI Companies and our Group Companies were eliminated in our Group’s consolidated income statements during the Track Record Period and there is no transfer pricing implication.

As our Group has set up Enecal PTE, a Singapore company, as our trading centre and Enecal PTE has since assumed the business contracts and arrangements from the BVI Companies, the BVI Companies were excluded from our Group after the Reorganisation on 31 December 2010. The replacement of operations of the BVI

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Companies by Enecal PTE was driven by business development needs and tax planning consideration of our Company. Enecal PTE is subject to Singapore income tax of 10%, an incentive rate offered to encourage foreign enterprises to set up offices in Singapore. The benefits of setting up Enecal PTE as our Company's overseas management office in replacement of the BVI Companies include the following (i) our Company may enjoy the attractive incentive tax rates offered by the Singapore government; (ii) it will be more convenient for Mr. Wang and Mr. Wu to oversee our Group's overseas operations out of the Singapore management office as they have become permanent residents of Singapore, are in the process of applying for Singapore citizenship and currently spend significant time in Singapore; and (iii) the dedicated overseas management office will provide the necessary operation and financing support to our expanding overseas operations. The BVI Companies are not and have not been involved in any litigations, proceedings or claims for non-compliance. Our Group is not and will not be responsible for any potential tax liabilities of the BVI Companies since the BVI Companies have been held by the individual shareholders and are not subsidiaries of our Group.

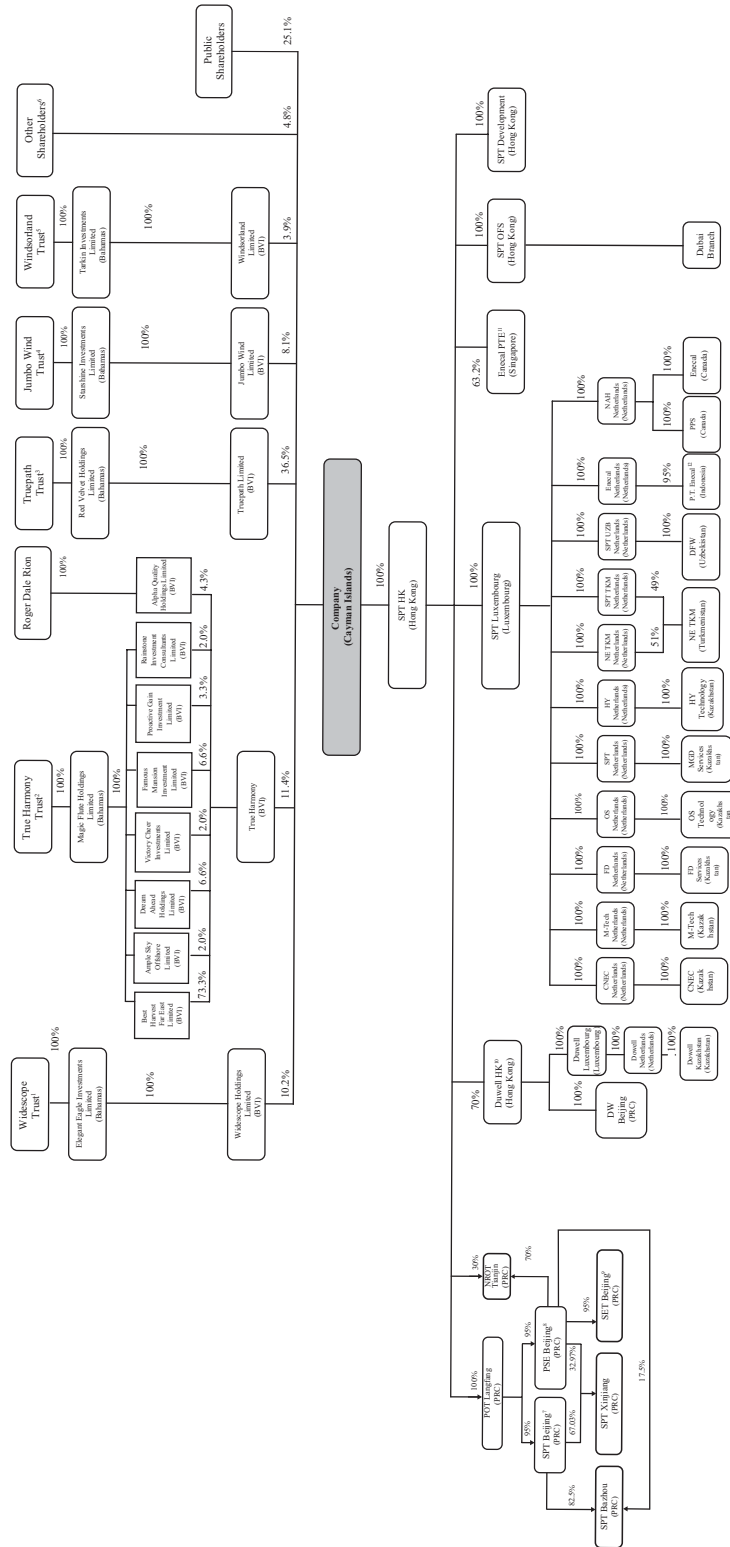
As of 31 December 2010, the BVI Companies had accounts receivables due from the Debtors in an aggregate amount of RMB285,144,000, including receivables due from certain subsidiaries of our Group in the amount of RMB283,654,000 and from our Company in the amount of RMB1,490,000. On 17 May 2011, the BVI Companies, the Debtors and our Company entered into a novation agreement ("Novation Agreement"), whereby in consideration of an amount of RMB212,899,290 payable by the Debtors to our Company, our Company agreed and undertook to assume, with effect from 31 December 2010, all of the Debtors' obligations and liabilities arising from or in connection with the accounts receivables due to the BVI Companies in the aggregate amount of RMB212,899,290 ("Novated Accounts Receivables"). On the same date, the BVI Companies, our Company, Mr. Wang and Mr. Wu entered into a deed of novation, whereby, conditional upon the Novation Agreement coming into effect, our Company agreed to novate all obligations and liabilities arising from or in connection with the Novated Accounts Receivables to Mr. Wang and Mr. Wu, with effect from 31 December 2010 for consideration of US\$1. As a result, our Company was released and discharged by the BVI Companies from all obligations and claims in relation to the Novated Accounts Receivables pursuant to the deed of novation. Our Group will settle the remaining accounts receivable due to the BVI Companies in the amount of RMB72,245,000 before the Listing. The BVI Companies have not entered into any new contracts or been involved in any new business after the reorganization on 31 December 2010, and they will not engage in any new business. However, the BVI Companies will complete one minor contract entered into with a third party prior to 31 December 2010. The BVI Companies are not in the process of liquidation. In addition, Mr. Wang and Mr. Wu have also agreed to indemnify us against any tax liabilities that may be claimed against us resulting from the restructuring through a combination of their respective personal wealth and the aggregate proceeds of RMB158,038,178.51 from the transfer of their respective equity interests in SPT Beijing and PSE Beijing on 14 February 2011. Please refer to "Risk Factors—We may be subject to potential tax liability of certain BVI companies that used to be part of our Group" for more details.

(8) Acting in concert

Mr. Wang and Mr. Wu have been the major shareholders of our Group since its establishment. They have held our Group's subsidiaries and acted in concert in the policy-making, operation, management and all major decision-making of our Group based on mutual trust and agreement. Mr. Wang and Mr. Wu entered into a deed of acting in concert on 10 November 2009 to confirm and record this arrangement. Pursuant to the Deed, Mr. Wang and Mr. Wu agreed that this arrangement will continue after the Listing.

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The following chart sets out the shareholding and corporate structure of our Group upon completion of our Global Offering:



Notes:

- (1) Widescope Trust is a discretionary trust established by Mr. Wu. Mr. Wu and his family members are beneficiaries of Widescope Trust. The trustee of the trust controls distribution of the trust assets.
- (2) True Harmony Trust is a discretionary trust established by Mr. Wu. Mr. Wu and six members of senior management of our Company are beneficiaries of True Harmony Trust. The trustee of the trust controls distribution of the trust assets.
- (3) Truepath Trust is a discretionary trust established by Mr. Wang. Mr. Wang and his family members are beneficiaries of Truepath Trust. The trustee of the trust controls distribution of the trust assets.
- (4) Jumbo Wind Trust is a discretionary trust established by Mr. Wang. Mr. Wang and his family members are beneficiaries of Jumbo Wind Trust. The trustee of the trust controls distribution of the trust assets.
- (5) Windsorland Trust is a discretionary trust established by Ms. Shen. Ms. Shen and her family members are beneficiaries of Windsorland Trust. The trustee of the trust controls distribution of the trust assets.
- (6) They consist of Skycharm Limited and Heroic Time Investments Limited, and they respectively held 4,950,000 Shares and 1,500,000 Shares. 3,825,000 Shares were allotted to Skycharm Limited on 22 November 2008 and 1,125,000 Shares were acquired from Widescope Holdings Limited at par value on 1 December 2010. The entire shareholding held by Heroic Time Investments Limited was acquired from Widescope Holdings Limited at par value on 1 December 2010.
- (7) The remaining interest of SPT Beijing is owned by Mr. Wang as to 2.73% and Mr. Wu as to 2.27%.
- (8) The remaining interest of PSE Beijing is owned by Mr. Wang as to 2.73% and Mr. Wu as to 2.27%.
- (9) The remaining interest of SET Beijing is owned by Mr. Wang as to 2.7% and Mr. Wu as to 2.3%.
- (10) The remaining interest in Duwell HK is owned by Constant Way Limited, a BVI holding company owned by Mr. Alibi Bahayev, an Independent Third Party and the general manager of Duwell Kazakhstan.
- (11) The remaining interest in Eneccal PTE is owned by Mr. Wang, Mr. Wu, Ms. Shen and Mr. Zhao through their respective BVI holding
- (12) The remaining interest in P.T. Eneccal is owned by Hendri Saleh, an Independent Third Party.

COMPLIANCE WITH THE RELEVANT PRC LAWS AND REGULATIONS

On 8 August 2006, six PRC governmental and regulatory agencies, including the Ministry of Commerce and the CSRC, promulgated the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors 《關於外國投資者並購境內企業的規定》 (the “M&A Rules”), which became effective on 8 September 2006 (the “Effective Date”). Article 11 of the M&A Rules regulates “affiliated mergers”. Where a domestic company or natural person acquires a domestic company which is related to or connected with it/him through an offshore company which it/he lawfully established or controlled, approval from the Ministry of Commerce is required. The M&A Rules also stipulate that an offshore SPV formed for listing purpose and controlled, directly or indirectly, by PRC companies or individuals, such as our Company, shall obtain approval from the CSRC prior to the listing and trading of its securities on an overseas stock exchange.

The domestic reorganisation includes (a) POT Langfang acquiring relevant PRC subsidiaries (the “Domestic Reorganisation”); and (b) PPS transferring its share equity in POT Langfang and NROT Tianjin to SPT HK (the “Equity Transfer of the Foreign-Invested Enterprises”).

It is the view of our PRC legal adviser that given that POT Langfang is a foreign invested enterprise, it shall not be treated as a purchaser (the overseas enterprise established or controlled by a domestic natural person) defined in the Article 11 of the M&A Rules in the Domestic Reorganisation. Therefore, the Domestic Reorganisation did not fall under Article 11 of the M&A Rules.

Furthermore, it is the view of our PRC legal adviser that the target company (the connected domestic company controlled by a domestic natural person) defined in Article 11 of the M&A Rules does not include the foreign-invested enterprise. Therefore, the Equity Transfer of the Foreign-Invested Enterprises did not fall under Article 11 of the M&A Rules.

Based on the above, it is the view of our PRC legal adviser that (a) all the requisite approvals from the relevant competent PRC regulatory authorities in respect of the reorganisation carried out in the PRC have been obtained, the reorganisation does not fall under Article 11 of the M&A Rules and does not require the approval from the Ministry of Commerce; and (b) the Listing does not require the approval from the CSRC or any other PRC governmental authorities under PRC laws, regulations and rules.

According to the Circular Concerning Relevant Issues on the Foreign Exchange Administration of Raising Funds through Overseas Special Purpose Vehicle and Investing Back in China by Domestic Residents 《國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》 (“Circular 75”) promulgated by SAFE on 21 October 2005, any domestic residents engaging in equity financing (including convertible bond financing) abroad with enterprise assets or interests within the PRC via overseas special purpose companies shall register with the local branch of foreign exchange administration for foreign exchange registration of overseas investments.

As advised by our PRC legal adviser, Circular 75 applies to the Reorganisation and the Global Offering as our Controlling Shareholders, Mr. Wu, Mr. Wang, Mr. Wang Jinbo and Ms. Shen, are domestic residents. In accordance with Circular 75, Mr. Wu, Mr. Wang, Mr. Wang Jinbo and Ms. Shen completed relevant formalities for the registration and filing of an overseas investment by a PRC resident with the Hebei Provincial Office of SAFE in respect of their offshore investments and round-trip investments up to November 2010. Mr. Wu, Mr. Wang, Mr. Wang Jinbo and Ms. Shen are still required to undertake overseas investment foreign exchange amendment procedures after the relevant offshore reorganisations. Our PRC legal adviser had advised us that there is no legal obstacle for Mr. Wu, Mr. Wang, Mr. Wang Jinbo and Ms. Shen to undertake such amendment procedures.