

Anton Oilfield Services Group 安東油田服務集團

(incorporated in the Cayman Islands with limited liability)

Stock Code : 3337



Global Offering

Global Coordinator

CREDIT SUISSE 

Joint Bookrunners, Joint Sponsors and Joint Lead Managers

CREDIT SUISSE 

JPMorgan 

Anton Oilfield Services Group

(incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

- Number of Offer Shares under the Global Offering** : 520,000,000 Shares (subject to adjustment and the Over-allotment Option)
- Number of Public Offer Shares** : 52,000,000 Shares (subject to adjustment)
- Number of International Offer Shares** : 468,000,000 Shares (subject to adjustment and the Over-allotment Option)
- Maximum Offer Price** : HK\$2.40 per Offer Share payable in full on application subject to refund on final pricing, plus brokerage of 1%, Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.004%
- Nominal value** : HK\$0.10 per Share
- Stock code** : 3337

Global Coordinator



Joint Bookrunners, Joint Sponsors and Joint Lead Managers



The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in Appendix IX — “Documents Delivered to the Registrar of Companies and Available for Inspection,” has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Hong Kong Companies Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission, The Stock Exchange of Hong Kong Limited and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any of the other documents referred to above.

The Offer Price is expected to be fixed by agreement among the Joint Bookrunners (on behalf of the Underwriters), and us on the Price Determination Date. The Price Determination Date is expected to be on or around December 7, 2007 and, in any event, not later than December 10, 2007. The Offer Price will be not more than HK\$2.40 per Offer Share and is currently expected to be not less than HK\$1.80 per Offer Share. Applicants for Public Offer Shares are required to pay, on application, the maximum Offer Price of HK\$2.40 for each Public Offer Share together with 1% brokerage, 0.005% Stock Exchange trading fee and 0.004% SFC transaction levy, subject to refund if the Offer Price as finally determined is less than HK\$2.40 per Offer Share.

The Joint Bookrunners (on behalf of the Underwriters) may reduce the number of Offer Shares and/or the indicative Offer Price range below these stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer. In such a case, notices of the reduction in the number of Offer Shares and/or the indicative Offer Price range will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Public Offer. If applications for Public Offer Shares have been submitted prior to the last day for lodging applications under the Public Offer, then even if the number of Offer Shares and/or the indicative Offer Price range is so reduced, such applications cannot be subsequently withdrawn. Further details are set out in “Structure of the Global Offering” and “How to Apply for Public Offer Shares.” If, for any reason, we, and the Joint Bookrunners (on behalf of the Underwriters) are unable to reach an agreement on the Offer Price by December 10, 2007, the Global Offering (including the Public Offer) will not proceed and will lapse.

Prospective investors should read the entire document carefully and, in particular, should consider the matters discussed in “Risk Factors.”

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Joint Bookrunners (on behalf of the Hong Kong Underwriters) if certain grounds arise at or prior to 8:00 a.m. on the Listing Date. Such grounds are set out in “Underwriting — Underwriting Arrangements and Expenses — Grounds for termination.”

The Offer Shares have not been registered under the U.S. Securities Act and may be offered or sold, pledged or transferred only (i) in the United States to QIBs, in reliance on Rule 144A under the U.S. Securities Act and (ii) outside the United States in reliance on Regulation S under the U.S. Securities Act.

EXPECTED TIMETABLE⁽¹⁾

Application lists open ⁽²⁾	11:45 a.m. on Thursday, December 6, 2007
Latest time to lodge WHITE and YELLOW Application Forms	12:00 noon on Thursday, December 6, 2007
Latest time to give electronic application instructions to HKSCC ⁽³⁾	12:00 noon on Thursday, December 6, 2007
Latest time to complete electronic applications under White Form eIPO service through the designated website <u>www.eipo.com.hk</u> ⁽⁴⁾	11:30 a.m. on Thursday, December 6, 2007
Latest time to complete payment of White Form eIPO applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Thursday, December 6, 2007
Application lists close	12:00 noon on Thursday, December 6, 2007
Expected Price Determination Date	Friday, December 7, 2007
(1): Announcement of	
• the level of applications in the Public Offer;	
• the level of indications of interest in the International Offer; and	
• the basis of allotment of the Public Offer Shares	
to be published in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on or before	
Thursday, December 13, 2007	
(2): Results of allocations in the Public Offer (including successful applicants' identification document numbers, where appropriate) to be available through a variety of channels (see paragraph headed " Publication of Results " in the section headed "How to Apply for Public Offer Shares") from	
Thursday, December 13, 2007	
(3): A full announcement of the Public Offer containing (1) and (2) above will be published on the Company's website at <u>www.antonil.com</u> from	
Thursday, December 13, 2007	
Despatch of Share certificates in respect of wholly or partially successful applications on or before ⁽⁵⁾	
Thursday, December 13, 2007	
Despatch of refund cheques in respect of wholly or partially unsuccessful applications on or before ⁽⁵⁾⁽⁶⁾	
Thursday, December 13, 2007	
Dealings in Shares on the Stock Exchange expected to commence at ⁽⁷⁾	
9:30 a.m. on Friday, December 14, 2007	

EXPECTED TIMETABLE⁽¹⁾

- (1) All times refer to Hong Kong local time.
- (2) If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on December 6, 2007, the application lists will not open on that day. See “How to Apply for Public Offer Shares — Effect of bad weather on the opening of the application lists.”
- (3) Applicants who apply for Public Offer Shares by giving electronic application instructions to HKSCC should refer to “How to Apply for Public Offer Shares — Applying by giving electronic application instructions to HKSCC.”
- (4) You will not be permitted to submit your application through the designated website at www.eipo.com.hk at 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (5) Applicants who applied on **WHITE** Application Forms for 1,000,000 or more Public Offer Shares and have indicated in their Application Forms their wish to collect refund cheques (where applicable) and Share certificates (where applicable) in person may do so from our Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shop 1712-1716, 17/F Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on the date notified by the Company in the newspapers as the date of despatch of Share certificates and refund cheques. The date of despatch of Share certificates and refund cheques is expected to be December 13, 2007. Applicants being individuals who opt for personal collection must not authorize any other person to make collection on their behalf. Applicants being corporations who opt for personal collection must attend by their authorized representatives, each bearing a letter of authorization from his corporation stamped with the corporation’s chop. Both individuals and authorized representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong branch share registrar. Uncollected refund cheques and Share certificates will be despatched by ordinary post to the addresses as specified in the applicants’ Application Forms at the applicants’ own risk.
- (6) Refund cheques will be issued in respect of wholly or partially unsuccessful applications, and also in respect of successful applications in the event that the Offer Price as finally determined is less than the Offer Price per Offer Share initially paid on application.
- (7) Share certificates will only become valid certificates of title if the Global Offering becomes unconditional and neither of the Underwriting Agreements is terminated in accordance with its terms at or before 8:00 a.m. on the Listing Date, which is expected to be December 14, 2007. No dealing should take place in the Offer Shares prior to commencement of dealing in the Shares on the Stock Exchange. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of Share certificates or prior to the Share certificates becoming valid do so entirely at their own risk.

CONTENTS

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by us, the Global Coordinator, the Joint Bookrunners, the Joint Sponsors, the Joint Lead Managers, any of the Underwriters, any of their respective directors, officers, employees, agents or representatives, or any other person or party involved in the Global Offering.

	<u>Page</u>
Expected Timetable	i
Summary	1
Definitions	12
Glossary of Technical Terms	22
Risk Factors	27
Forward-Looking Statements	43
Information about this Prospectus and the Global Offering	44
Directors and Parties Involved in the Global Offering	52
Corporate Information	55
Industry Overview	57
History and Reorganization	66
Business	86
Overview	86
Competitive Strengths	88
Business Strategy	90
Products and Services	91
Sales and Marketing	100
Research and Development	102
Quality Control	105
China Oilfield Services Competition	106
Supplies	107
Pricing Environmental and Policy	108
Environmental Compliance	109
Occupational Health and Safety Program	110
Insurance	110
Property	111
Intellectual Property Rights	113
Inventory	113
Legal Proceedings and Compliance	114
Relationship with the Controlling Shareholders and Non-competition	114

CONTENTS

	<u>Page</u>
Directors and Senior Management	116
Substantial Shareholders	124
Share Capital	126
Financial Information	128
Future Plans And Use Of Proceeds	164
Underwriting	166
Structure of the Global Offering	172
How to Apply for Public Offer Shares	180
Appendix I — Accountants' Report — Anton Oilfield Services Group	I-1
Appendix II — Accountants' Report — Beijing Hinen-Hitech Petroleum Technology Development Co., Ltd.	II-1
Appendix III — Unaudited Pro Forma Financial Information	III-1
Appendix IV — Profit Forecast	IV-1
Appendix V — Property Valuation	V-1
Appendix VI — Summary of the PRC Legal and Regulatory Provisions	VI-1
Appendix VII — Summary of Articles of Association of the Company and Cayman Islands Company Law	VII-1
Appendix VIII — Statutory and General Information	VIII-1
Appendix IX — Documents Delivered to the Registrar of Companies and Available for Inspection	IX-1

SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read the entire document before you decide to invest in the Shares. There are risks associated with any investment. Some of the particular risks in investing in the Shares are set out in “Risk Factors.” You should read that section carefully before you decide to invest in the Shares.

OVERVIEW

We believe that we are one of the leading non-government-owned providers of onshore oilfield services in China in terms of revenue. We provide high-end oilfield services and products in the areas of well services, drilling services, production services and field services. Our products and services cover various stages in the life of an oil and gas field. According to the Peking University Report, which we commissioned, there are over 1,200 non-government-owned oilfield services providers in China, which, in total, share approximately 10% of the oilfield services market in China. Based on our 2006 revenue, we had approximately 1.2% share of the fragmented non-government-owned oilfield services market. Between 2004 and 2006, the net profit attributable to equity holders of the Company grew at a CAGR of 71.0%. For the years ended December 31, 2004, 2005 and 2006 and the six months ended June 30, 2007, our revenue was approximately RMB80.1 million, RMB149.2 million, RMB247.0 million and RMB174.0 million, respectively, and our net profit attributable to equity holders of the Company was approximately RMB26.2 million, RMB43.8 million, RMB76.7 million, and RMB42.4 million, respectively.

Our well services division offers high-end onshore fracturing and acidization, sand control and well cementing services. We believe we are one of the major high-end service providers of fracturing and acidization, and sand control services in China in terms of number of well jobs completed and manufacturing capacity of sand screens. We offer comprehensive solutions that integrate sophisticated well design with technologically advanced materials. Our solutions focus on increasing oil and gas production, and extending well life in technically demanding geological situations, whether in deep-zone wells, high-pressure wells or horizontal wells. In addition to our own research and development, we have also partnered with BJ Services Company, a major international oilfield services company, on a non-exclusive basis, to offer high-end fracturing and acidization and well cementing. For the years ended December 31, 2004, 2005 and 2006, and the six months ended June 30, 2007, well services accounted for approximately 1.6%, 4.8%, 7.1% and 47.5%, respectively, of our total revenue.

Our drilling services division offers a large variety of downhole equipment, including drill pipes, heavy-weight drill pipes, drill collars, well casing and tubing, and drill pipe testing and welding services. According to the Peking University Report, which we commissioned, we are a leading provider of drill pipe testing services in China. We add value and realize additional revenue by packaging products with a suite of services, including testing and hard banding welding. We entered into a joint venture agreement with Northern Heavy, a PRC incorporated drilling equipment manufacturer, in May 2007 to form a joint venture to produce drill collars and heavy-weight drill pipes. We expect the joint venture will provide us with a stable and long term supply of drill collars and heavy-weight drill pipes to sell to our customers. For the years ended December 31, 2004, 2005 and 2006 and the six months ended June 30, 2007, drilling services accounted for approximately 40.6%, 45.6%, 46.8% and 30.7%, respectively, of our total revenue.

SUMMARY

Our production services division provides production equipment and related services to oilfields, with a focus on extending equipment life in corrosive and sandy conditions, improving productivity and reducing costs. We manufacture and sell durable and corrosion-resistant couplings, sucker rods and specialized downhole pumps. We plan to expand our services in 2008 to include oilfield water treatment services and EOR chemical services for production enhancement of oilfields. For the years ended December 31, 2004, 2005 and 2006 and the six months ended June 30, 2007, production services accounted for approximately 16.6%, 17.0%, 18.9% and 10.2%, respectively, of our total revenue.

Our field services division provides, through regional field service facilities, a comprehensive variety of on-site services in connection with oil and gas field production activities, including drill-pipe leasing, coating, mechanical maintenance and ground construction. We have established long-term working relationships with our major customers in the Tarim Basin in respect of providing these services and products. We aim to establish similar, long-term servicing platforms in other oil and gas production areas with attractive growth potential in China. For the years ended December 31, 2004, 2005 and 2006 and for the six months ended June 30, 2007, field services accounted for approximately 41.2%, 32.6%, 27.2% and 11.6%, respectively, of our total revenue.

We derive a significant amount of our revenue from the provision of services and sale of products, on a non-exclusive basis, to the affiliates of the three major state-owned oil and gas companies in China, namely CNPC, Sinopec and CNOOC. Because of their dominant market position, we, like many other non-state owned oilfield services companies, and often accept longer payment terms than we would otherwise accept. We continue offering services to such companies as we believe they are financially sound customers. Our trade receivables turnover days have been increasing during the Track Record Period. For the years ended December 31, 2004, 2005 and 2006 and the six months ended June 30, 2007, our trade receivables turnover days were 105 days, 135 days, 187 days and 213 days, respectively. If our trade receivables turnover days continue to increase, our ability to manage our cash flow will be negatively affected, which may have a material adverse effect on our financial condition and results of operations. We experienced negative operating cash flow of RMB95.4 million and RMB35.5 million for the year ended December 31, 2006 and the six months ended June 30, 2007, respectively. In order to better manage our working capital, we have formed a special committee that is headed by our chief executive officer and comprises our chief financial officer and top managers from all regional sales offices. The committee will review our working capital status at monthly meetings and address any outstanding issues. In addition, we have set detailed receivables collection targets for each sales region, which is a key performance benchmark for the regional managers and is directly linked with the top regional managers' compensation and future promotion. We are negotiating with local banks for extension of additional credit lines to satisfy our future working capital needs. We will also seek to pledge part or all of our available trade receivables to obtain additional working capital loans if such needs arise. We are also studying the possibility of factoring or selling part of our receivables in order to shorten the trade receivables cycle. We believe our ability in seeking financing will also increase as we continue to grow our business and enhance our brand recognition.

Our three major customers for the three years ended December 31, 2006 were Petro China Company Limited (中國石油天然氣股份有限公司), China Petrochemical Corporation (中國石油化工集團) and CNPC Sichuan Petroleum (中石油四川管理局).

We have raised capital through two rounds of private placements, among others. On August 11, 2006, the Parent Company, Erdos, Chengwei, Anton Oil, Pro Development, Anton Management and Luo Lin entered into a subscription agreement pursuant to which Erdos and Chengwei agreed to subscribe for 18,000,000 and 7,000,000 Series A preferred shares of the Parent Company for an aggregated subscription

SUMMARY

price of US\$25,000,000 (RMB185,400,000). On June 14, 2007, the Parent Company, Erdos Chengwei, Anton Oil, Pro Development, Anton Management and Luo Lin entered into a second subscription agreement pursuant to which Erdos and Chengwei agreed to subscribe 7,000,000 and 2,250,000 Series B preferred shares of the Parent Company for an aggregate subscription price of US\$18,500,000 (RMB137,196,000). The proceeds from the Series A Financing were used for the construction of and purchase of equipment for the Huairou manufacturing facility and the 25-inch diameter casing manufacturing plant and as general working capital of the Group, and we intend to use the proceeds from the Series B Financing for the purchase of equipment for the Huairou manufacturing facility and as general working capital of the Group.

In November 2007, as part of our overall growth strategy for our well sand control business, we acquired the entire equity interest in Hinen-Hitech, a sand screen manufacturer in China, for a consideration of approximately RMB149.0 million.

COMPETITIVE STRENGTHS

We believe that our success and future prospects are bolstered by a combination of our strengths, including the following:

- We are a technologically advanced non-government-owned provider of oilfield services in China.
- We are well positioned to introduce technologically advanced products and services to China at competitive prices.
- We are well positioned to be a consolidator in the China oilfield services industry.
- We have an established, nationwide sales and service network.
- We have an experienced, stable and entrepreneurial management team.

BUSINESS STRATEGIES

We intend to become the leading oilfield services company in China by pursuing a one-stop shop service strategy especially focusing on technologically advanced services and products initially targetting the high-growth exploration and production regions. The implementation of our strategy consists of the following:

- Expand the scale and scope of our products and services.
- Target to maintain our rapid growth through a combination of organic growth and selective acquisitions.
- Further strengthen our sales and service platform.
- Maintain our leading position in technology.

FUTURE PLANS

Please see the section headed “Business - Business Strategy” and “Financial Information — Capital Expenditure Plan” in this prospectus for a detailed description of our future plans.

SUMMARY

USE OF PROCEEDS

We estimate that the aggregate net proceeds to us from the Global Offering (assuming an Offer Price of HK\$2.10 per Share, being the mid-point of the proposed Offer Price range of HK\$1.80 to HK\$2.40 per Share) will be approximately HK\$1,019 million (equivalent to approximately RMB971 million), after deducting the underwriting commission and estimated expenses payable by us in the Global Offering and assuming that the Over-allotment Option is not exercised and no payment of any discretionary commission.

We currently intend to use these net proceeds principally to fund the Group's capital expenditure plan for its various business divisions including well services, drilling services, production services and field services, and for potential mergers and acquisitions. As our operations continue to expand, we intend to continue to procure additional equipment, especially for our well services. We believe the procurement of equipment reduces our reliance on providers of leased equipment and enhances our ability to provide services on a timely basis. In particular, we intend to apply these net proceeds in the following manner (although these amounts may change for business reasons or otherwise):

- approximately HK\$73 million (equivalent to approximately RMB69 million) or 7.1% for building manufacturing and research and development facilities in Huairou; which include acquisition of land, construction of workshop and administrative and research and development buildings, acquisition of lab equipment and related software. The research and development center will be used to support all of our four business divisions. In particular, we intend to set up laboratories for developing materials used in well services and manufacturing of oil production equipment and a drilling equipment testing lab;
- approximately HK\$364 million (equivalent to approximately RMB347 million) or 35.7% for the well services division, including equipment procurement such as fracturing trucks and coiled tubing trucks and the Hinen-Hitech acquisition. We currently lease fracturing trucks and coiled tubing trucks or use such equipment leased by our customers. We are of the view that by purchasing such equipment, we would be able to ensure that the equipment would be more readily available when needed;
- approximately HK\$109 million (equivalent to approximately RMB104 million) or 10.7% for the drilling services division for procurement of service equipment and expanding capacity of our planned joint venture;
- approximately HK\$36 million (equivalent to approximately RMB35 million) or 3.6% for the production services division to increase our capacity;
- approximately HK\$109 million (equivalent to approximately RMB104 million) or 10.7% for the field services division to expand existing service facilities, establish new facilities domestically and in selected overseas markets. The field services facilities will primarily provide logistical support functions for multiple services that are offered at various locations, and we are of the view that the establishment of permanent service facilities is necessary to support our continued growth and to improve the efficiency of our existing and future operations at these locations;
- approximately HK\$219 million (equivalent to approximately RMB208 million) or 21.4% for potential acquisitions;

SUMMARY

- approximately HK\$109 million (equivalent to approximately RMB104 million) or 10.7% for general corporate purpose, including principally working capital.

To the extent our net proceeds are either more or less than expected, we will adjust our allocation of the net proceeds to the above purposes on a pro rata basis.

The additional net proceeds that we would receive if the Over-allotment Option were exercised in full would be approximately HK\$159 million or equivalent to approximately RMB151 million (assuming the mid-point of the stated Offer Price of HK\$2.10 per Share). If the Over-allotment Option is exercised in full, our Directors intend to apply the net proceeds from the issue of the additional Shares under the Over-allotment Option to the above purposes on a pro rata basis.

If any part of our development plan does not proceed as planned, our Directors may hold such funds on short-term deposit for so long as the Directors consider it to be in our best interests and those of our shareholders taken as a whole.

Pending the use of the net proceeds from the Global Offering for the purpose described above, we intend to deposit the proceeds in interest-bearing deposits with licensed banks or authorized third-party financial institutions.

SUMMARY HISTORICAL FINANCIAL INFORMATION

You should read the summary historical combined financial information below in conjunction with Appendix I — “Accountants’ Report — Anton Oilfield Services Group,” which has been prepared in accordance with IFRS. The summary historical combined income statement data for the years ended December 31, 2004, 2005, and 2006 and the six months ended June 30, 2006 and 2007 and the summary historical combined balance sheet data as of December 31, 2004, 2005 and 2006 and as of June 30, 2007 set forth below have been derived from the Appendix I “Accountants’ Report — Anton Oilfield Services Group.”

Selected Income Statement Items

	Year Ended December 31,			Six Months Ended June 30,	
	2004	2005	2006	2006	2007
	(unaudited)				
	(RMB in thousands)				
Revenue	80,053	149,225	246,951	38,800	174,020
Other income, net	355	104	1,987	188	266
Operating costs	<u>(53,929)</u>	<u>(101,406)</u>	<u>(164,104)</u>	<u>(36,267)</u>	<u>(127,363)</u>
Operating profit	26,479	47,923	84,834	2,721	46,923
Finance costs, net	<u>(172)</u>	<u>(556)</u>	<u>(1,384)</u>	<u>(275)</u>	<u>(1,516)</u>
Profit before income tax	26,307	47,367	83,450	2,446	45,407
Income tax expense	<u>(96)</u>	<u>(1,623)</u>	<u>(4,953)</u>	<u>(289)</u>	<u>(3,772)</u>
Profit for the year/period	<u><u>26,211</u></u>	<u><u>45,744</u></u>	<u><u>78,497</u></u>	<u><u>2,157</u></u>	<u><u>41,635</u></u>
Attributable to:					
Equity holders of the Company . . .	26,211	43,792	76,651	2,221	42,352
Minority interests	—	1,952	1,846	(64)	(717)
Dividends	500	15,500	—	—	—

SUMMARY

Other Selected Financial Data

	Year Ended December 31,							Six months ended June 30,			
	2004		2005		2006		CAGR	2006		2007	
	Revenue	%	Revenue	%	Revenue	%		Revenue	%	Revenue	%
	(Unaudited)										
	(RMB in thousands, except percentage)										
Well services	1,288	1.6	7,216	4.8	17,592	7.1	269.6	2,274	5.9	82,726	47.5
Drilling services	32,509	40.6	68,049	45.6	115,545	46.8	88.5	8,467	21.8	53,342	30.7
Production services	13,249	16.6	25,302	17.0	46,715	18.9	87.8	10,536	27.2	17,786	10.2
Field services	33,007	41.2	48,658	32.6	67,099	27.2	42.6	17,523	45.2	20,166	11.6
Total revenue	80,053	100.0%	149,225	100.0%	246,951	100.0%	75.6%	38,800	100.0%	174,020	100.0%
EBITDA ⁽¹⁾	27,842	34.8%	49,456	33.1%	90,317	36.6%	N/A	5,284	13.6%	50,890	29.2%

⁽¹⁾ EBITDA is defined as profit for the year/period plus finance costs, net, income tax expense and depreciation and amortization. EBITDA is not a standard measure under IFRS or other generally accepted accounting principles. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. EBITDA does not account for taxes, interest expense or other non-operating cash expenses. In evaluating EBITDA, we believe that investors should consider, among other things, the components of EBITDA such as sales and operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. We have included EBITDA because we believe it is a useful supplement to cash flow data as a measure of our performance and our ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare our EBITDA to EBITDA presented by other companies because not all companies use the same definition.

SUMMARY

Selected Balance Sheet Items

	December 31,			June 30,
	2004	2005	2006	2007
	(RMB in thousands)			
ASSETS				
Non-current assets				
Property, plant and equipment	17,009	48,621	71,393	111,809
Land use rights	96	85	13,262	13,259
Intangible assets	—	—	—	2,637
Available-for-sale financial asset	2,200	2,000	—	—
Investment in an associate	736	—	—	—
	<u>20,041</u>	<u>50,706</u>	<u>84,655</u>	<u>127,705</u>
Current assets				
Inventories	12,333	8,708	50,115	39,811
Trade and notes receivables	32,658	79,308	197,799	247,068
Prepayments and other receivables	15,354	29,902	41,390	75,308
Restricted bank deposits	—	2,000	85,896	—
Cash and cash equivalents	11,509	10,205	46,137	35,183
	<u>71,854</u>	<u>130,123</u>	<u>421,337</u>	<u>397,370</u>
TOTAL ASSETS	<u>91,895</u>	<u>180,829</u>	<u>505,992</u>	<u>525,075</u>
EQUITY				
Equity attributable to the Company's equity holders	51,128	95,284	302,879	345,231
Minority interests	2,250	2,618	2,874	2,157
Total equity	<u>53,378</u>	<u>97,902</u>	<u>305,753</u>	<u>347,388</u>
Current liabilities				
Trade payables	19,384	19,196	26,929	21,709
Accruals and other payables	16,537	55,450	47,780	35,727
Current income tax liabilities	96	981	4,264	3,564
Short-term borrowings	2,500	7,300	121,266	116,687
Total liabilities	<u>38,517</u>	<u>82,927</u>	<u>200,239</u>	<u>177,687</u>
TOTAL EQUITY AND LIABILITIES	<u>91,895</u>	<u>180,829</u>	<u>505,992</u>	<u>525,075</u>

SUMMARY

PROFIT FORECAST⁽¹⁾

We believe that, in the absence of unforeseen circumstances and on the bases and assumptions set out in Appendix IV — “Profit Forecast,” our profit attributable to the Company’s equity holders for the year ending December 31, 2007 is unlikely to be less than RMB110.60 million under IFRS, representing a 44.2% increase from our profit attributable to the Company’s equity holders in 2006.

Forecast consolidated profit attributable to the Company’s equity holders for the year ending December 31, 2007, not less than ⁽²⁾	RMB110.60 million
(a) Unaudited pro forma forecast basic earnings per Share, not less than ⁽³⁾	RMB0.05
(b) Unaudited pro forma forecast fully diluted earnings per Share, not less than ⁽⁴⁾	RMB0.05

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- (1) All statistics in this table are based on the assumption that the Over-allotment Option is not exercised.
 - (2) The bases and assumptions on which the above profit forecast has been prepared are set out in Appendix IV.
 - (3) The calculation of the unaudited pro forma forecast basic earnings per Share is based on the forecast consolidated profit attributable to the equity holders of the Company for the year ending December 31, 2007, assuming that the Global Offering and the Capitalization Issue were completed on January 1, 2007 and a total of 2,067,250,000 Shares were in issue during the entire year. This calculation has not taken into account any Shares which may be issued upon the exercise of the Over-allotment Option or the options granted under the Pre-IPO Share Option Scheme.
 - (4) The calculation of the unaudited pro forma forecast fully diluted earnings per Share is based on the forecast consolidated profit attributable to equity holders of the Company for the year ending December 31, 2007, assuming that the Global Offering and the Capitalization Issue were completed on January 1, 2007 and after taking into account the Pre-IPO Share Option Scheme but taking no account of any Shares which may be issued upon the exercise of the Over-allotment Option. This calculation has been prepared on the bases that the proceed from the exercise of the Pre-IPO Share Options is nil and has not considered the impact of fair value of the Shares on computation of number of dilutive potential Shares.

DIVIDEND POLICY

Our Board of Directors will declare dividends, if any, on a per Share basis and will pay such dividends in Hong Kong dollars. Any final dividend for a financial year will be subject to shareholders’ approval. Under our Articles of Association, all of our shareholders have equal rights to dividends and distributions. Holders of the Shares will share proportionately on a per Share basis in all dividends and other distributions declared by our Board of Directors.

OFFER STATISTICS⁽¹⁾

	<u>Based on an Offer Price per Share of HK\$1.80</u>	<u>Based on an Offer Price per Share of HK\$2.40</u>
Market capitalization of our Shares ⁽²⁾	HK\$3,721 million	HK\$4,961 million
Prospective price/earnings multiple:		
On a pro forma basic earnings per Share basis ⁽³⁾	32.0 times	42.7 times
On a pro forma fully diluted earnings per Share basis ⁽³⁾	32.4 times	43.2 times
Unaudited pro forma adjusted net tangible asset value per Share ⁽⁴⁾	HK\$0.60	HK\$0.75

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- (1) All statistics in this table are based on the assumption that the Over-allotment Option is not exercised.

SUMMARY

- (2) The calculation of market capitalization is based on 2,067,250,000 Shares expected to be in issue immediately following the Global Offering and the Capitalization Issue, assuming that the Over-allotment Option and the Pre-IPO Share Option are not exercised.
- (3) The calculation of the basic and fully diluted price/earnings multiple on a pro forma basis is based on the pro forma forecast earnings per Share and the respective Offer Prices of HK\$1.80 per Share and HK\$ 2.40 per Share.
- (4) The unaudited pro forma adjusted net tangible asset per Share is calculated after making the adjustments referred to in “Appendix III — Unaudited Pro Forma Financial Information” in this prospectus and on the basis of a total of 2,067,250,000 Shares expected to be in issue following the completion of the Capitalization Issue and the Global Offering. This calculation takes no account of the Over-allotment Option and the options granted under the Pre-IPO Share Option Scheme.

RISK FACTORS

Risks Relating to Our Industry

- *A prolonged decline in or substantial volatility of oil and natural gas prices could adversely affect the demand for our services.*
- *Demand for our services may be adversely affected by trends in exploration and production activities other than oil and natural gas prices.*

Risks Relating to Our Business

- *We may not be able to meet our significant working capital requirements.*
- *Our negative operating cash flow has been worsening and we may not be able to generate positive cash flow.*
- *Our business, results of operations and financial condition depend on three major oil and gas producers in China.*
- *We may not be able to grow successfully through future acquisitions, or to integrate the acquired businesses effectively.*
- *We may not be able to manage future growth successfully.*
- *Our business prospects are difficult to evaluate because of our short operating history.*
- *Our operations are largely subject to changes in our major customers’ needs, preferences and technical requirements, which are beyond our control.*
- *Our success depends on key members of our management, the loss of any of whom could disrupt our business operations.*
- *We may require additional capital in the future, which may not be available to us.*
- *Our future success depends in part on our ability to establish and maintain strategic partnerships, and failure to do so could have a material adverse effect on our market penetration and revenue growth.*
- *We face significant competition in the oilfield services industry, and if we fail to compete effectively, we may lose market share and our profitability may be adversely affected.*

SUMMARY

- *We are subject to significant operational risks that may not be fully covered by our insurance policies.*
- *Our industry has experienced a shortage of senior technical experts and management. Any difficulty we experience replacing or adding such personnel could adversely affect our business.*
- *Our operations are subject to seasonal variations.*
- *We may not be able to protect our intellectual property, including our proprietary know-how, and we may be involved in intellectual property disputes.*
- *We may suffer from technological obsolescence.*
- *We may not be able to procure raw materials or lease equipment from suppliers on acceptable terms or in a timely manner.*
- *We concentrate our purchases from a small group of suppliers, and any disruption in their supply may harm our business.*
- *The execution of our capital expenditure plan is subject to some uncertainty.*
- *If we fail to maintain an effective system of internal controls, our business, financial results and reputation could be materially and adversely affected.*
- *Failure to comply with environmental regulations could harm our business.*
- *There can be no assurance that our Company or our subsidiaries will continue to benefit from preferential tax treatments.*
- *Certain production facilities occupied by us have defective titles.*

Risks Relating to Business Operations in China

- *Changes in PRC political and economic policies and conditions could adversely affect our business and prospects.*
- *Changes in foreign exchange and foreign investment regulations in China may affect our ability to invest in China and the ability of our PRC subsidiary to pay dividends and service debts in foreign currencies.*
- *The uncertain legal environment in China could limit the legal protections available to you.*
- *Our primary source of funds in the form of dividends and other distributions from our principal subsidiary in China is subject to various legal and contractual restrictions and uncertainties, and our ability to pay dividends or make other distributions to our shareholders is negatively affected by those restrictions and uncertainties.*
- *Recent PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may subject our PRC resident shareholders to personal liability and limit our ability to acquire PRC companies or to inject capital into our PRC subsidiaries, limit our PRC subsidiaries' ability to distribute profits to us, or otherwise materially and adversely affect us.*

SUMMARY

Risks Relating to This Offering

- *The market price of our Shares may be volatile.*
- *There has been no prior public market for our Shares or equity securities, and you may not be able to sell your Shares at or above the initial public offering price.*
- *Historical dividend may not be a good indication of future dividend*
- *Future financing may cause a dilution in your shareholding or place restrictions on our operations.*
- *Future sales or issuances, or perceived future sales or issuances, of substantial amounts of our Shares could adversely affect the price of our Shares.*
- *You will experience immediate and substantial dilution in the book value of the Shares you purchase.*
- *You will have limited ability to bring an action against us or against our directors and officers, or to enforce a judgment against us or them.*

Risks Relating to Statements Made in this Prospectus

- *We cannot guarantee the accuracy of any facts and statistics obtained from third party sources with respect to the industry section contained in this prospectus.*
- *Investors should not place any reliance on any information contained in press articles or other media coverage regarding our Group and the Global Offering.*
- *This prospectus contains forward-looking statements relating to our plans, objectives, expectations and intentions, which may not represent our actual performance for the periods of time to which such statements relate.*

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below. Certain other terms are explained in the section entitled “Glossary of Technical Terms.”

“Anton Oil”	安東石油技術(集團)有限公司 (Anton Oilfield Services (Group) Limited), formerly known as 北京安東奧爾工程技術有限責任公司 (Beijing Anton Oil Engineering Technology Limited), a wholly foreign-owned enterprise established in the PRC and a wholly owned subsidiary of the Company
“Anton Energy”	安東能源技術有限公司 (Anton Energy Services Limited), formerly known as 北京安東奧爾投資管理有限公司 (Beijing Anton Oilfield Investment Management Limited), a limited liability company established in the PRC and was formerly a substantial shareholder of the Company
“Anton Fenglei”	北京安東風雷機械有限責任公司 (Beijing Anton Fenglei Machinery Company Limited), a limited liability company established in the PRC and a wholly owned subsidiary of the Company
“Anton Management”	Anton Management Development Holdings Corp., a company incorporated in the British Virgin Islands
“Anton New Materials”	北京安東新材料技術有限公司 (Beijing Anton New Materials Technology Limited), a limited liability company established in the PRC and a wholly owned subsidiary of the Company
“Anton Tong’ao”	安東通奧科技產業有限公司 (Anton Tong’ao Technological Products Limited), a limited liability company established in the PRC and a wholly owned subsidiary of the Company
“Application Form(s)”	white application form(s), yellow application form(s) and green application form(s) or, where the context so requires, either of them
“Articles of Association” or “Articles”	the revised articles of association of our Company, adopted on November 17, 2007 and as amended from time to time, a summary of which is set out in Appendix VII
“associate”	has the meaning ascribed thereto under the Listing Rules
“Beijing Huarme”	北京華瑞美爾石油發展有限公司 (Beijing Huarme Petroleum Technology Co. Ltd.) a limited liability company established in the PRC and a wholly owned subsidiary of the Company

DEFINITIONS

“BJ Services”	BJ Services Company, a limited liability company organized under the laws of Delaware, USA, and listed on the New York Stock Exchange. It is a provider of pressure pumping and oilfield services for the oil industry. The oilfield services it provides include completion tools, completion fluids, and casing and tubular services
“Board of Directors” or “Board”	the board of directors of our Company
“Business Day”	any day (other than a Saturday or Sunday) in Hong Kong on which banks in Hong Kong are open generally for normal banking business
“CAGR”	compound annual growth rate
“Capitalization Issue”	the issue of Shares to be made upon capitalization of the share premium account/contributed surplus account of the Company as referred to in the section headed “Further Information about the Company — Resolutions in writing of the sole shareholder of the Company passed on November 17, 2007” in Appendix VIII to this prospectus
“Cangzhou Hinen-Hitech”	滄州海能海特石油科技發展有限公司 (Cangzhou Hinen-Hitech Petroleum Technology Development Co. Ltd., a limited liability company established in the PRC and is 66.67% owned by Hinen-Hitech
“Cayman Companies Law”	the Companies Law (2007 Revision) of the Cayman Islands and any amendments or other statutory modifications thereof
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Broker Participant”	a person admitted to participate in CCASS as a broker participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Broker Participant or a CCASS Custodian Participant or a CCASS Investor Participant
“Chengwei”	Chengwei Anton Holdings Inc., a company incorporated in the British Virgin Islands and an investor in the Series A Financing and the Series B Financing

DEFINITIONS

“Chengwei Ventures”	Chengwei Ventures Evergreen Fund, LP and Chengwei Ventures Advisors, major shareholders of Chengwei
“Company,” “our Company,” “we,” “us”	Anton Oilfield Services Group, a company incorporated in the Cayman Islands on August 3, 2007 as an exempted company with limited liability and, except where the context otherwise requires, all of its subsidiaries
“Company Law”	中華人民共和國公司法 (the Company Law of the PRC), as enacted by the Standing Committee of the Eighth NPC on December 29, 1993 and effective on July 1, 1994, as amended, supplemented or otherwise modified from time to time
“Controlling Shareholder(s)”	Luo Lin and Pro Development
“connected persons”	has the meaning ascribed thereto under the Listing Rules
“Credit Suisse”	Credit Suisse (Hong Kong) Limited
“CSRC”	中國證券監督管理委員會 (China Securities Regulatory Commission)
“Directors”	the directors of our Company
“Erdos”	Erdos Holding Company Limited, a company incorporated in the British Virgin Islands and an investor in the Series A Financing and the Series B Financing, and substantial shareholder of the Company
“Foyou Tech”	北京佛友工程技術有限責任公司 (Beijing Foyou Engineering Technology Limited), a limited liability company established in the PRC and a wholly owned subsidiary of the Company
“GDP”	gross domestic product (all references to GDP growth rates are to real as opposed to nominal rates of GDP growth)
“Global Coordinator”	Credit Suisse
“Global Offering”	the Public Offer and the International Offer
“Green Application Form(s)”	the application form(s) to be completed by White Form eIPO service provider designated by the Company
“Group” or “our Group”	our Company and its subsidiaries and associated companies and, in respect of the period before our Company became the holding company of such subsidiaries (or before such associated companies became associated companies of our Company), the entities which carried on the business of the present Group at the relevant time

DEFINITIONS

“Hinen-Hitech”	北京海能海特石油科技發展有限公司 (Beijing Hinen-Hitech Petroleum Technology Development Co., Ltd.), a limited liability company established in the PRC and a wholly owned subsidiary of the Group
“HK\$” or “HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly owned subsidiary of HKSCC
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Companies Ordinance”	Companies Ordinance, Chapter 32 of the Laws of Hong Kong as amended and supplemented from time to time
“Hong Kong Underwriters”	the several underwriters of the Public Offer listed in “Underwriting — Hong Kong Underwriters”
“Hong Kong Underwriting Agreement”	the underwriting agreement dated November 30, 2007 relating to the Public Offer entered into by, among others, us, the executive Directors, the Hong Kong Underwriters and the Joint Bookrunners
“IFRS”	International Financial Reporting Standards, which include standards and interpretations approved by the International Accounting Standards Board (IASB), and the International Accounting Standards (IAS) and interpretations issued by the International Accounting Standards Committee (IASC)
“Independent Third Parties” or “Independent Third Party”	a person(s) or company(ies) which is/are independent of our Directors, the Controlling Shareholders, the Substantial Shareholders and the chief executive (as such term is defined in the Listing Rules) of the Company or our subsidiaries and their respective associates
“International Offer”	the conditional offer of International Offer Shares to professional, institutional and other investors, as further described in “Structure of the Global Offering”
“International Offer Shares”	468,000,000 Shares (subject to adjustment and the Over-allotment Option as described in “Structure of the Global Offering”) initially being offered for subscription which are the subject of the International Offer
“International Purchase Agreement”	the purchase agreement relating to the International Offer expected to be entered into by, among others, us, the executive Directors, the International Purchasers and the Joint Bookrunners on or around December 7, 2007

DEFINITIONS

“International Purchasers”	the group of initial purchasers, led by the Joint Bookrunners, which is expected to enter into the International Purchase Agreement to underwrite the International Offer
“Jidong”	an area located in the eastern part of Hebei province, and part of the Bohai Bay Basin
“Joint Bookrunners”	Credit Suisse and JPMorgan
“Joint Lead Managers”	Credit Suisse and JPMorgan Asia Pacific
“JPMorgan”	J.P. Morgan Securities Ltd.
“JPMorgan Asia Pacific”	J.P. Morgan Securities (Asia Pacific) Limited
“Joint Sponsors”	Credit Suisse and JPMorgan Asia Pacific
“Latest Practicable Date”	November 23, 2007, being the latest practicable date for ascertaining certain information in this prospectus prior to its publication
“Listing”	the listing of the Shares on the Stock Exchange
“Listing Date”	the date on which dealings in the Shares first commence on the Stock Exchange, expected to be on or around December 14, 2007
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
“Main Board”	the main board of the Stock Exchange
“Maximum Offer Price”	the maximum price under the Global Offering of HK\$2.40 per Share
“Northern Heavy Anton”	北重安東機械製造有限公司 (Northern Heavy Anton Machinery Manufacturing Co. Ltd.), a limited liability established in the PRC and is 50% owned by Anton Oil
“Offer Price”	the final Hong Kong dollar price per Share (exclusive of brokerage, Stock Exchange trading fee and SFC transaction levy) at which the Offer Shares are to be issued pursuant to the Global Offering, to be determined as further described in “Structure of the Global Offering — Determining the Offer Price”
“Offer Shares”	the Public Offer Shares and the International Offer Shares including, where relevant, any additional Shares allotted and issued pursuant to the exercise of the Over-allotment Option

DEFINITIONS

“Over-allotment Option”	the option to be granted by us to the International Purchasers under the International Purchase Agreement pursuant to which we may be required by the Joint Bookrunners (on behalf of the International Purchasers) to issue up to an aggregate of 78,000,000 additional Shares (representing in aggregate 15% of the number of Offer Shares initially available under the Global Offering) at the Offer Price, as further described in “Structure of the Global Offering — The Over-allotment Option”
“Parent Company”	Anton Oilfield Services Holdings Limited Company, an exempted company incorporated in the Cayman Islands, the holding company and controlling shareholder of the Company prior to the completion of the Reorganization
“PBOC”	中國人民銀行 (the People’s Bank of China, the central bank of the PRC)
“PBOC Rate”	the exchange rate for foreign exchange transactions set daily by the PBOC based on the previous day’s PRC interbank foreign exchange rates and with reference to current exchange rates on the world financial markets
“Peking University Report”	a report dated October 18, 2007, which we commissioned with the Institute of Oil and Gas of Peking University (“PKU”) for RMB80,000. The report analyzes the key trends, market size and competitive landscape of the PRC onshore oilfield services market. PKU estimates the size of market demand for oilfield services in China to consist of exploration and development capital expenditures, exploration expenses for dry wells, and production cash costs by oil and gas exploration and production companies in China. PKU estimates the growth of this market based on the assumptions that (a) expenses for oilfield services by major oil and gas exploration and production companies will increase at a rate of 10% each year from 2006 to 2012; (b) oil production in the PRC will grow at 3% per annum average from 2006 to 2012 and gas production in the PRC will grow at 20% per year average from 2006 to 2012; and (c) the average production cash cost for oil averaged approximately RMB400 per tonne in 2006 and will grow to RMB600 per tonne in 2012
“PRC” or “China”	the People’s Republic of China which, except where the context otherwise requires, does not include Taiwan or the Hong Kong and Macau Special Administrative Regions

DEFINITIONS

“PRC GAAP”	the accounting rules and regulations in the PRC, currently consisting of the Accounting Standards for Business Enterprises and the Accounting Regulations for Financial Enterprises
“PRC government”	the central government of the PRC including all political subdivisions (including provincial, municipal and other local or regional government entities) and organizations of such government or, as the context requires, any of them
“Pre-IPO Share Option Scheme”	the pre-IPO share option scheme adopted by the Company on October 1, 2007
“Price Determination Date”	the date, expected to be on or around December 7, 2007 but no later than December 10, 2007, on which the Offer Price is fixed for the purposes of the Global Offering
“Principal Share Registrar”	Butterfield Fund Services (Cayman) Limited
“Pro Development”	Pro Development Holdings Corp., a company incorporated in the British Virgin Islands and the Controlling Shareholder of the Company
“Public Offer”	the offer of Public Offer Shares for subscription by the public in Hong Kong for cash at the Offer Price, on and subject to the terms and conditions described in this prospectus and the Application Forms
“Public Offer Shares”	52,000,000 new Shares (subject to adjustment as described in the section entitled “Structure of the Global Offering”) initially being offered by us for subscription at the Offer Price under the Public Offer
“Pure Energy”	Pure Energy Investments Limited, a company incorporated in Hong Kong and a wholly owned subsidiary of the Company
“QIBs”	qualified institutional buyers within the meaning of Rule 144A
“Regulation S”	Regulation S under the U.S. Securities Act
“Reorganization”	the reorganization of the businesses comprising our Group, as described in “Our Reorganization”
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“RSM”	RSM Nelson Wheeler Consulting
“Rule 144A”	Rule 144A under the U.S. Securities Act

DEFINITIONS

“SAFE”	中華人民共和國國家外匯管理局 (PRC State Administration of Foreign Exchange)
“Securities and Futures Commission” or “SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance of Hong Kong (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary shares of nominal value of HK\$0.10 each in the capital of our Company
“Share Option Scheme”	the share option scheme of the Company adopted on November 17, 2007, the principal terms of which are summarized in Appendix VIII to this prospectus
“Series A Financing”	the subscription by Erdos and Chengwei of 18,000,000 and 7,000,000 series A preferred shares respectively in the Parent Company on August 11, 2006 for an aggregate consideration of US\$25,000,000 (RMB185,400,000)
“Series B Financing”	the subscription by Erdos and Chengwei of 7,000,000 and 2,250,000 series B preferred shares respectively in the Parent Company on June 14, 2007 for an aggregate consideration of US\$18,500,000 (RMB137,196,000)
“sq.m.”	square meter
“Stabilizing Manager”	Credit Suisse
“Stock Borrowing Agreement”	the stock borrowing agreement entered into between Pro Development and the Global Coordinator on or around November 30, 2007
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Substantial Shareholder”	has the meaning ascribed to it under the Listing Rules
“Tongsheng Well”	北京通盛威爾工程技術有限公司 (Beijing Tongsheng Well Engineering Technology Limited), a limited liability company established in the PRC and a wholly owned subsidiary of the Company
“Track Record Period”	the three financial years of the Company ended December 31, 2006 and the six months ended June 30, 2007
“Underwriters”	the Hong Kong Underwriters and the International Purchasers

DEFINITIONS

“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Purchase Agreement
“United States” or “U.S.”	the United States of America, including its territories and possessions
“US\$”	United States dollar, the lawful currency of the United States of America
“U.S. dollar” or “U.S. dollars”	United States dollars, the lawful currency of the United States
“U.S. Securities Act”	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
“WTO”	the World Trade Organization
“White Form eIPO”	the application for Public Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of White Form eIPO www.eipo.com.hk
“White Form eIPO Service Provider”	the White Form eIPO service provider designated by the Company, as specified on the designated website www.eipo.com.hk
“Xiguan Antong”	北京西管安通檢測技術有限責任公司 (Beijing Xiguan Antong Testing Technology Limited), a limited liability company established in the PRC and a 51% owned subsidiary of the Company
“Xinjiang Foyou”	新疆佛友石油工程建設有限責任公司 (Xinjiang Foyou Oil Engineering Construction Limited), a limited liability company established in the PRC and a wholly owned subsidiary of the Company
“Xinjiang Tong’ao”	新疆通奧油田技術服務有限公司 (Xinjiang Tong’ao Oilfield Services Limited), a limited liability company established in the PRC and a wholly owned subsidiary of the Company
“Zhongji Hengtong”	北京中基恒通油井技術有限責任公司 (Beijing Zhongji Hengtong Oilfield Technology Limited), a limited liability company established in the PRC and a wholly owned subsidiary of the Company

Unless the context requires otherwise, the translation of HK\$ into US\$ made in this prospectus is for illustration purpose only, at the rate of US\$1.00 = HK\$7.7808, US\$1.00 = RMB7.4160, respectively. The rates are the noon buying rates in New York City for cable transfers as certified for customs purposes by the Federal Reserve Bank of New York on November 21, 2007, and the translation of Renminbi into Hong Kong dollars has been made at the rate of RMB0.9526 to HK\$1.00, the exchange rate set by the People’s Bank of China for foreign exchange transactions prevailing on November 21, 2007.

DEFINITIONS

No representation is made that any amount in HK\$ or, US\$ or RMB could have been or could be converted at the above rates or at any other rates or at all.

For ease of reference, the English names of PRC-established companies, government authorities and departments, entitles, documents and brand names have been included in this prospectus as translations of their Chinese names for identification purpose only. In the event of any inconsistency, the Chinese version shall prevail.

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains terms used in this prospectus as they relate to our business. As such, these terms and their meanings may not always correspond to standard industry meaning or usage of these terms.

“acidizing”	The pumping of acid into the well bore to remove near-well formation damage and other damaging substances. The procedure commonly enhances production by increasing the effective well radius.
“AOC”	Antonoil Coating, a proprietary coating technology developed by us.
“API gravity”	The American Petroleum Institute’s scale for specific density of liquid hydrocarbons, measured in degrees; the lower the API gravity, the heavier the compound, and generally, the lower its commercial value; crude oils generally range from 6 degrees (very heavy) to 60 degrees (very light).
“casing”	A steel pipe that is screwed together and lowered into the well bore after drilling; the casing, along with the cement, provide support to the well bore against surrounding geological pressure so as to maintain well bore stability.
“cementing”	To prepare and pump cement into place in a well bore.
“cluster well”	Multiple wells extending in a variety of directions drilled from a single primary trunk well bore that extends from the surface.
“completion fluid”	Fluid utilized to maintain downwell pressure and stability while drilling through reservoir rock to minimize damage on the formation’s surface.
“cutting”	The fragments of rock dislodged by the drill bit and brought to the surface in the drilling fluids/mud. Washed and dried cuttings samples are analyzed by geologists to obtain information about the formations drilled.
“day rate”	Fixed daily fee charged with respect to the services provided by a drilling rig.
“downhole”	Pertaining to or underground in the well bore (as opposed to being on the surface).
“drill bit”	The tool attached to the end of the drill string which cuts and bores its way through the rock formations at the bottom of the well.

GLOSSARY OF TECHNICAL TERMS

“drill collar”	A thick-walled seamless, tubular steel piece made of solid bars of steel, such as plain carbon steel or advanced alloy steel with threads in both ends, which connects the drill pipe to the drill bit. The thickness of its wall is four to six times that of ordinary drill pipes.
“drill pipe”	A seamless steel pipe made of advanced alloy steel screwed together by joints which connects the rotary system on the rig to the drill collar and drill bit downwell. It is used for deepening the well bore and transmitting the torque, and it forms a channel for the circulation of drilling fluids.
“drill string”	The connected column of drill pipe, drill collar and drill bit, which is driven by the rotary system of a rig.
“drilling fluids”	Fluids circulated downwell during drilling to cool and lubricate the drill bit, remove well cuttings, maintain downwell pressure and preserve the integrity of the well bore; drilling fluids can be water, oil, or gas-based, with various additives. Synonymous with “drilling mud” in general usage.
“drilling tool testing”	The process of testing the performance of drilling tools such as physical characteristics and strength and threads.
“exploration block”	A specified area for exploration activity, with the possibility for development of any potential discoveries.
“EOR”	Enhanced oil recovery methods.
“field”	A general term in geology for all discoveries in a specified (continued) oil producing area. The oil producing area is a geological unit subject to single or multiple geological factors.
“fracs”	Fractures which are created in the reservoir rock to act as flow channels for the oil and gas to the well; this process can be done either with downwell perforation charges or through high pressured water.
“fracturing and acidizing”	The acid treatment process of squeezing acid into the stratum under pressure sufficient to form cracks by fracturing the stratum.
“glass micro-bend HGS”	An additive which is added to oil well cement slurry and drilling fluids to increase its density. It is currently a type of HGS with the highest strength and lowest density.

GLOSSARY OF TECHNICAL TERMS

“hard banding welding”	Hard banding welding is a layer of wear-resistant materials welded into the joint of the drill pipe, mainly using tungsten and cobalt series hard alloys such as tungsten carbide. Because of the hardness and resistance to wear characteristic of tungsten carbide granules, drill pipe hard banding offers effective protection for the joint of the drill pipe.
“HGS”	Dense solids, such as barite or hematite, which are added to mud or cement slurry to increase its density, also known as weighting material.
“horizontal well”	A well drilled by deviation drilling to achieve an inclination typically greater than 70 degrees. Such wells are drilled into reservoir formations to allow for maximum crude oil recovery and productivity.
“HTHP” or “high-temperature and high-pressure”	High-temperature and high-pressure downwell conditions, which typically includes temperatures greater than 200 degrees Celsius and 10,000 psi; HTHP conditions make drilling more difficult.
“infill drilling”	Increased-density drilling between producing wells in a field in order to increase production from a field.
“jar”	A tool that can generate upward, downward shock and vibration.
“kill fluid”	Fluids used to stop a well from flowing or having the ability to flow into the well bore.
“oil production”	The process of extracting oil from underground to the surface using a series of methods.
“perforate”	To create holes in the casing or liner to achieve efficient communication between the reservoir and the well bore.
“proppants”	Sized particles mixed with fracturing fluid to hold fractures open after a hydraulic treatment. In addition to naturally occurring sand grains, man-made or specially engineered proppants, such as resin-coated sand may be used.
“reservoir”	Porous rock layers or formations, such as sandstone, limestone and dolomite, that can store and allows percolation of oil and natural gas.

GLOSSARY OF TECHNICAL TERMS

“sand control”	Methods or techniques to prevent the migration of reservoir sand into the well bore, areas near the well bore, or the downhole pumping equipment during oil production. In weak formations, sand control may be necessary to maintain the structure of the reservoir around the well bore.
“screen sleeves”	Casing with screen openings located in the oil layer.
“sedimentary basin”	A geological structure with a unique sequence of rocks that are dissimilar to those outside the basin.
“seismic exploration”	An exploration method in which elastic wave energy or sound is put into earth and either the reflected energy off the subsurface rock layers is recorded or refracted energy that travels through the rock layers is recorded.
“water treatment”	The process of purifying polluted water through the combined use of chemical, biological and physical techniques so as to improve the quality and physical and chemical characteristics of the water.
“well completion”	Services and installation of equipment that are necessary to prepare a well for production, including casing and well treatment, such as acidizing and fracturing.
“well logging”	Gathering, analysis and interpretation of data obtained downhole with special tools and techniques regarding geological attributes and hydrocarbon potential of an area.
“well washing”	The washing away of residual oil on oil pipes and sucker rods using water-based kill fluid or workover fluid.
“well workover”	Any work on a completed well designed to maintain, restore or improve production on a producing petroleum reservoir; this may include replacement of casing and well treatment, such as sand control, fracturing, acidizing.
“well bore”	A well hole.
“workover fluid”	A well-control fluid, typically brine, that is used during well workover operations.

GLOSSARY OF TECHNICAL TERMS

We also use the following technical measurements. Here is an explanation for your reference.

“bbl”	A barrel, which is equivalent to 158.988 liters or 0.134 tons of oil (at a API gravity of 33 degrees).
“BTU”	British Thermal Unit, a commonly employed measurement of energy.
“kW”	Kilowatts used to measure offshore supply vessel engine power capacity, which is equivalent to 1.36 horsepower.
“mmbbls”	Million barrels.
“psi”	Pounds per square inch, used to measure air or liquid pressure.
“trips”	Number of times a logging tool enters and exits a well hole to collect data.

RISK FACTORS

You should carefully consider all of the information in this prospectus, including the risks and uncertainties described below prior to investing in our Shares. You should pay particular attention to the fact that we are a company with operations in the PRC and are governed by a legal and regulatory environment which in some respects may differ from that which prevails in other countries. Our business, financial condition and results of operations could be materially and adversely affected by any of these risks. The trading price of our Shares could decrease due to any of these risks, and you may lose all or part of your investment.

There are risks involved in our operation and many of these risks are beyond our control. These risks can be categorized as (i) risks relating to our industry; (ii) risks relating to our business; (iii) risks relating to our operations in China; (iv) risks relating to this offering; and (v) risks relating to statements made in this prospectus.

Risks Relating to Our Industry

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

The demand for our services is influenced by current and anticipated oil and natural gas prices and the related level of drilling and production activities and related spending in the areas in which we have operations. Volatility or weakness in oil and natural gas prices (or the perception that oil and natural gas prices will decrease) affects the spending patterns of our customers and may result in the drilling of fewer new wells. From 2002 to 2006, Brent crude oil prices increased significantly at a CAGR of 27.5% from an average of approximately US\$25.1 (RMB186.1) per barrel to US\$66.2 (RMB490.9) per barrel. As of November 27, 2007, the Brent crude oil spot price closed at US\$95.6 (RMB709.0) per barrel, and the average price since 2007 is US\$70.8 (RMB525.1) per barrel. Oil and natural gas prices may also be caused by government regulation of downstream oil and gas services, technical advances (including the economically viable application of alternative energy sources) that may affect demand for oil and gas, and domestic economic growth, among others. Some or all of these factors may, in turn, result in lower demand for our services. As a result, we may experience lower utilization of, and may be forced to lower our rates for, our services and equipment. A prolonged decline in oil and natural gas prices or a reduction in drilling and production activities could have a material adverse effect on the demand for our services and our results of operations.

In recent years, oil prices have generally been rising, but there can be no assurance that oil prices can be maintained at such high levels. Producers generally react to declining oil and natural gas prices by reducing expenditures. This may in the future have an adverse effect on our business. We are unable to predict future oil and natural gas prices or the level of oil and natural gas industry activity. A prolonged low level of activity in the oil and natural gas industry will adversely affect both the demand for our products and services and our financial condition and results of operations.

RISK FACTORS

Demand for our services may be adversely affected by trends in exploration and production activities other than oil and natural gas prices.

Demand for our services may be impacted by the spending patterns and other characteristics of our customers, the quality of exploration and production activities, government regulation, and other factors. These factors include:

- *The success or failure of exploration services.* Unsuccessful exploration services may lead to stagnant or reduced oilfield services activities, which may adversely affect our results of operations and constrain our opportunity for growth.
- *The geology types of new or existing opportunities.* The geology types of new or existing opportunities such as sand control, deep or shallow wells, horizontal or vertical wells, may adversely affect the demand for the types of services we offer.
- *Business strategies of our major customers.* The business strategies of our major customers may have a profound impact on our results of operations. If our major customers adopt strategies with the effect (whether intended or unintended) of reducing demand for our services, our business may be adversely affected.
- *Government regulation on licensing.* If the government modifies its licensing policies with respect to the provision of oil and gas exploration and production, it may alter the composition of our customer base, and force us to make adjustments in our operations to meet the needs of different customers.
- *The pace of development in our market and infrastructure.* If development is slow in certain regional markets and there is insufficient infrastructure, oil and gas fields may not be able to develop fully to utilize the services that we are prepared to offer.
- *Government taxes.* Imposition of or increase in government taxes may adversely affect exploration and production activity, especially with respect to marginal oilfields.

Any adverse development in some or all of these factors could have a material adverse effect on our financial condition and results of operations.

Risks Relating to Our Business

We may not be able to meet our significant working capital requirements.

We require a significant amount of cash to fund our operations due to our credit policy and our customers' payment method, both of which are in line with the practices in the oilfield services industry in the PRC, the lengthy procurement lead time relating to drilling services, and required prepayments for certain materials and components. The seasonality in our operations also causes fluctuations in our working capital requirements. In order to secure certain material supplies that are in high demand and provide services to our customers in a timely manner, we sometimes need to order materials and components six months in advance and prepayment may be required prior to delivery. We usually give our customers a credit term of three to six months from the delivery of our services or products, and it may be extended in certain situations.

RISK FACTORS

During our Track Record Period, our trade receivables turnover days increased from 105 days to 213 days, our inventory turnover days increased from 75 days to 107 days, and our trade payables turnover days decreased from 142 days to 58 days. Our trade receivables turnover days increased from 105 days in 2004 to 135 days in 2005 primarily because 48.8% of our annual sales fell in the fourth quarter in 2005, thus causing a larger year-end trade receivables balance, which in turn translated into longer turnover days for the year. Our trade receivables turnover days increased from 135 days in 2005 to 187 days in 2006 primarily as a result of approximately 59.2% of our annual sales occurring in the fourth quarter in 2006 as compared with 48.8% in 2005. Our trade receivables turnover days further increased to 213 days for the six months ended June 30, 2007, primarily due to the large period-end trade receivables balance of RMB237.1 million, which was mainly attributable to our increased sales during the period and the decreased invoicing in the first quarter of 2007. Invoicing decreased because Anton Oil was in the process of changing its status from a PRC enterprise to a foreign-invested enterprise, and no invoicing activities were allowed while its application for change of status was being processed. Anton Oil accounted for over 80% of our revenue in the first quarter of 2007. Although we caught up with our invoicing in the second quarter of 2007, since our customers only pay us after receiving the invoices, the delayed invoicing in the first quarter of 2007 due to the aforementioned administrative procedure caused a delay in our collection, which in turn caused an increase in our trade receivables turnover days for the first half of 2007.

The combined effect of our rapid growth, prepayment requirements for holding adequate inventories, the relatively long trade receivables turnover and seasonal variation has a significant impact on our cash flow and working capital. Any increases in the receivable turnover days and inventory turnover days and decrease in the trade payables turnover days are likely to worsen the impact and increase our vulnerability to general adverse economic and industry conditions. If we are unable to internally generate funds or obtain funding to meet our working capital requirements in a timely manner or at all, our revenue and growth prospects may be materially and adversely affected.

Our negative operating cash flow has been worsening and we may not be able to generate positive cash flow.

We recorded negative operating cash flow of RMB95.4 million in 2006 and RMB35.5 million for the first half of 2007, primarily due to significant increases in trade and notes receivables and inventories, primarily due to the significant growth in sales and our new inventory policy of shortening lead time between customer orders and deliveries. The increases in trade and notes receivables were also due to a high proportion of our customers being large customers with greater bargaining power, which allowed them to negotiate longer credit terms with us compared to credit terms granted to other customers. We cannot assure you that we will record positive operating cash flow in our rapid growth stage and our liquidity and business operations may be adversely affected by our negative operating cash flow position.

Our business, results of operations and financial condition depend on three major oil and gas producers in China.

We derive a significant amount of our revenue from the provision of services and sale of products, on a non-exclusive basis, to the affiliates of three major oil and gas producers in China, in particular China National Petroleum Corporation or CNPC, the parent company of PetroChina Company Limited and China's largest producer of crude oil and natural gas. For the years ended December 31, 2004, 2005 and 2006, the three major oil and gas producers accounted for approximately 67.9%, 75.7% and 86.1% respectively, of our total revenue. For the years ended December 31, 2004, 2005 and 2006, CNPC accounted for approximately 42.8%, 45.2% and 69.4% respectively, of our total revenue. In addition, the three major oil and gas producers

RISK FACTORS

usually demand a credit term of three to six months. Such industry practice has led to our long trade and notes receivables turnover days, which were 105, 135, 187 and 213 days, respectively, for the years ended December 31, 2004, 2005 and 2006 and the six months ended June 30, 2007. Due to the dominant market position of the three major oil and gas producers in our principal market in China, we cannot assure you that we will be able to negotiate higher prices or shorter credit terms for the services provided to them. We anticipate that our future prices for services provided to the three major oil and gas producers will continue to reflect our volume of work, package of services, our customer relationship and our bargaining position. If the three major producers significantly reduce their use of our services and products for whatever reason, and we are unable to find comparable alternative customers, our business, results of operations and financial condition could be adversely affected. We endeavor to diversify our customer base and reduce customer concentration in the future. However, there can be no assurance that our efforts will succeed.

We may not be able to grow successfully through future acquisitions, or to integrate the acquired businesses effectively.

Our business strategy has included, and will continue to include, growth through the acquisition of other businesses and assets. We may not be able to continue to identify attractive acquisition opportunities or successfully acquire identified targets on favorable terms. Currently, competition for acquisition opportunities is limited but may escalate, increasing our acquisition cost or causing us to refrain from making acquisitions. 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 current or future acquisitions into our existing operations, which may result in unforeseen operational difficulties, weaker financial performance, or our inability to report financial results and may require a disproportionate amount of management attention.

We may not be able to manage future growth successfully.

We have grown rapidly over the last several years through a combination of organic growth and acquisitions. Our revenue grew at a CAGR of 75.6% between 2004 and 2006, and net profit attributable to equity holders of the Company grew at a CAGR of 71.0% between 2004 and 2006. We believe that our future success depends on our ability to manage rapid growth and the demands from increased responsibility on our management personnel. The following factors could present difficulties to us:

- lack of sufficient executive-level personnel;
- increased administrative burden;
- increased organizational challenges common to large, expansive operations; and
- long lead times associated with equipment acquisition.

Our operating results could be adversely affected if we do not successfully manage these potential difficulties.

RISK FACTORS

Our business prospects are difficult to evaluate because of our short operating history.

We were only established in 2002 and focused initially on providing field services in the Tarim Basin. We have since expanded rapidly and currently provide four types of oilfield services with operations throughout major oilfields in China. As we have a limited operating history, when you evaluate our business and prospects you must consider the risks and difficulties frequently encountered by companies in relatively early stages of development. Our expansion from Xinjiang to other parts of China and expansion into high-end well services have taken place rapidly, and there can be no assurance that we will be able to replicate nationally our historical success.

Our operations are largely subject to changes in our major customers' needs, preferences and technical requirements, which are beyond our control.

We generally do not have long-term commitments from our customers for provision of products or services or other types of cooperation. Our operations, including our product and service offerings, pricing, procurement, and research and development efforts, are largely subject to changes in the demands, preferences and technical requirements of our major customers, which are major oil and gas producers in China. We may not have the expertise, technology or capital resources to respond adequately to such changing customer needs. If we fail to adapt our operations to respond effectively to the trends and focuses in our customers' operations and technical requirements, or fail to respond to changes in our customers' demands and preferences in a timely manner, our results of operations may be materially adversely affected.

Our success depends on key members of our management, the loss of any of whom could disrupt our business operations.

We depend to a large extent on the services of our executive directors and senior management team. In particular, our founder and executive Director, Luo Lin, our two other executive Directors, Ma Jian and Pan Weiguo, and our senior management including He Zhigang, Yang Bin, Li Bingnan, Chen Wei, Han Yanping, and Shen Haihong, have in-depth knowledge of the operation, technology and management of the oilfield services industry. Tang Shenghe and He Jun, also senior management of our company, have in-depth knowledge of the financial and investment aspects of the oilfield services industry. With their knowledge and experience, the continuous service of our Directors and senior management team is important to our future prospects and development. The loss of the service of our directors, or other members of senior management, or failure to find qualified replacements, could disrupt and adversely affect our operations.

We may require additional capital in the future, which may not be available to us.

Our acquisition strategy requires significant capital. In addition, our business is capital intensive, requiring specialized equipment and trained personnel to provide our services. We plan to acquire more equipment, and, accordingly, we may need to raise additional funds through public or private debt or equity financing to fund such capital expenditures. Adequate funds may not be available when needed or may not be available on favorable terms. If funding is insufficient at any time in the future, we may be unable to service our equipment, fund acquisitions, take advantage of business opportunities or respond to competitive pressures, any of which could harm our business. Our future capital requirements primarily depend on the expansion needs of our current business lines and the frequency, timing, size, and success of our acquisitions.

RISK FACTORS

Our future success depends in part on our ability to establish and maintain strategic partnerships, and failure to do so could have a material adverse effect on our market penetration and revenue growth.

Our strategy is to enter into strategic alliances and cooperative relationships primarily with international companies in order to acquire technical know-how, while providing them with our local knowledge, expertise and nationwide network. See “Business — Products and Services — Well Services.” Our inability to identify or attract such international companies, or the absence of such companies, could have a material adverse effect on our market penetration, revenue growth and profitability.

Strategic partnerships with third parties could subject us to a number of risks, including risks associated with sharing proprietary information and loss of control of operations that are material to our business. Moreover, strategic partnerships may be expensive to implement and subject us to the risk of non-performance by a counterparty, which may in turn lead to monetary losses that materially and adversely affect our business.

We face significant competition in the oilfield services industry, and if we fail to compete effectively, we may lose market share and our profitability may be adversely affected.

The oilfield services industry is competitive and fragmented and includes numerous small companies capable of competing in our markets on a local basis as well as several large multinational and national companies that possess substantially greater financial and other resources than us. We believe that the principal competitive factors in the market areas that we serve are product quality, service availability, technical proficiency, and price. Our operations may be adversely affected if our current competitors or new market entrants introduce new products or services with better features, performance, prices or other characteristics than our products and services. Finally, competition among oilfield services and equipment providers is also affected by each provider’s reputation for safety and quality. If our safety record or the quality of our service declines, we may not be able to maintain our competitive position.

We have expanded and intend to continue to expand into new service areas targeted at the high-end market which requires a team of experts to design and deliver.

We are subject to significant operational risks that may not be fully covered by our insurance policies.

We face operational risks such as accidents or problems in our normal operations which may result in personal injury or death and/or damage to our property, such as equipment and facilities, and/or the environment. Hazards present in the oil and gas industry, such as fire, explosion, blowouts and oil spills, may interrupt our customers’ operations, and the level of our operations and revenue may be indirectly affected by such hazards.

We only carry insurance coverage required by law, which may not be sufficient to cover all of our potential losses or liabilities. Moreover, our insurance coverage is based on PRC insurance standards, which provide significantly lower levels of compensation than international standards. Because of our relatively small size, an uninsured loss could be far more detrimental to our operations and future prospects than it would be to one of our larger multinational competitors.

RISK FACTORS

Our industry has experienced a shortage of senior technical experts and management. Any difficulty we experience replacing or adding such personnel could adversely affect our business.

A team of talented and experienced engineers and other technical experts is crucial to the successful launching of high-end services from the initial design of a service concept to the fine-tuning and final delivery of such service. Talented and experienced personnel are scarce in our industry and competition for their services is intense. Our failure to recruit and retain a quality talent team may affect our expansion into the high-end market and thus may have a material adverse effect on our business prospects and results of operations. We intend to continue to expand into new service areas in the high-end market where we see appropriate opportunities but may lack experience or expertise. Our ability to benefit from such expansion will depend on a number of factors, several of which are beyond our control.

Our operations are subject to seasonal variations.

Historically, our revenue has been higher during the second half of the year due to a number of factors:

- Due to the nature of oil exploration and production operations, more deliveries and collections occur in the fourth quarter.
- Most of our customers are government-owned enterprises which set annual budgets early in the year while incurring capital expenditures later in the year, particularly in the fourth quarter.
- From time to time, we encounter severe weather conditions in certain areas where we operate, including decreased exploration and production activities in northern China during the winter months, or a suspension of activities.

As a result of the above and other factors, demand for our services and products can be cyclical and subject to seasonal variations.

We may not be able to protect our intellectual property, including our proprietary know-how, and we may be involved in intellectual property disputes.

Certain of our products or services, and the processes we use to produce or provide them, have been granted PRC patent protection, have patent applications pending or are our proprietary know-how. Our business may be adversely affected if our patents are unenforceable, the claims allowed under our patents are not sufficient to protect our technology, our patent applications are denied, or our proprietary know-how is not adequately protected. Our competitors may be able to develop technology independently that is similar to ours without infringing on our patents or gaining access to our proprietary know-how.

In addition, the tools, techniques, methodologies, programs and components we use to provide our services may infringe upon the intellectual property rights of others. Although we have not been involved in, or have been threatened against, any infringement of intellectual property rights of others, there is no assurance that the tools, techniques, methodologies, programs and components used by us will not be alleged to infringe upon issued patents, pending patent applications or other intellectual property rights. Infringement claims may result in significant legal and other costs and may distract management from operating our core business. Royalty payments under licenses from third parties, if available, would increase our costs. If a license was not available we might not be able to continue providing a particular product or service, which would reduce our operating revenue. Additionally, developing non-infringing technologies would increase our costs.

RISK FACTORS

We may suffer from technological obsolescence.

China's oilfield services industry is at an early stage and is characterized by rapid technological developments and evolving industry standards. As the oilfield services industry in the PRC is evolving, if we are not able to anticipate technological trends and rapidly develop and incorporate new and innovative technology that our customers require, we may not be able to produce sufficiently advanced products or offer services to our customers. If our technology becomes obsolescent, our business and results of operations may be materially and adversely affected.

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

Our operations are dependent on having sufficient raw materials and equipment in connection with providing services to our customers. Raw materials and equipment of particular concern include drill pipes and fracturing trucks, for which we have experienced substantial price increases and shortages in supply on certain occasions. Although past fluctuations in the supply and price of raw materials did not have any material and/or adverse impact on us as we source and procure raw materials at an earlier stage in anticipation of future increase of price or shortage of raw materials or pass on the additional cost of raw materials 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 supply raw materials or lease equipment of acceptable quality, quantity and price in a timely manner, particularly if we are unable to obtain the raw materials or lease equipment from alternative suppliers on a timely basis or on commercially acceptable terms, our service delivery schedule may be disrupted, which could result in loss of revenue and customers. In addition, fluctuations in the supply and price of equipment for lease may have a material adverse effect on our business and results of operations.

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

Although we use different suppliers for our requirements of raw materials, we concentrate our purchases from a small group of suppliers which we consider to be reliable. Purchases from our five largest suppliers accounted for approximately 57.5%, 46.7% and 71.4%, respectively, of our total purchases for the years ended December 31, 2004, 2005 and 2006. We do not enter into long-term supply contracts with these or other suppliers and we do not hedge against the price volatility of raw materials. Should there occur a disruption in supply by one or more of our five largest suppliers and we cannot source products from other suppliers, our ability to effectively provide products and services may be severely affected, which would harm our business.

The execution of our capital expenditure plan is subject to some uncertainty.

We expect to commit a significant amount of capital to purchase equipment and construct facilities. These construction projects are subject to delays and cost overruns, including shortages of materials or skilled labor, unforeseen engineering problems, work stoppages, weather interference, unavailability of necessary equipment and the inability to obtain any required permits or approvals. We cannot assure you that we will be able to acquire equipment as planned. Significant delays, supply shortages or cost overruns could adversely affect our marketing plans and financial condition.

RISK FACTORS

If we fail to maintain an effective system of internal controls, our business, financial results and reputation could be materially and adversely affected.

We recognize that an effective internal control system is essential to the integrity of our business, financial results and reputation. In preparation for the Global Offering and to further improve and enhance our internal control systems, we engaged RSM in June 2007 to review the internal control procedures and system of our Group. In October 2007 RSM conducted an additional review on the internal control procedures and systems of Hinen-Hitech, our newly acquired subsidiary and recommended certain measures to improve its internal control procedures and information management system. We are in the process of integrating Hinen-Hitech's internal control systems and information management systems with our existing internal control systems, taking into account RSM's recommended measures, which if successfully implemented, will improve Hinen-Hitech's internal control systems. However, there can be no assurance that our efforts and measures to integrate and improve our internal controls system will be effective. If we fail to maintain, or encounter difficulties in improving, effective internal controls in the future, our business, financial results and reputation may be materially and adversely affected.

Failure to comply with environmental regulations could harm our business.

We are subject to various PRC national and local environmental laws and regulations in the areas where we operate, including those governing the use, storage, discharge and disposal of hazardous substances. If more stringent compliance or clean up standards under these laws or regulations are imposed, or the results of future testing and analyses at our operating facilities indicate that we are responsible for the release of hazardous substances, we may be subject to remediation liability and increased environmental compliance costs. Furthermore, additional environmental matters may arise in the future at sites where no problem is currently known or at sites we operate in the future.

There can be no assurance that our Company or our subsidiaries will continue to benefit from preferential tax treatments.

The rate of income tax chargeable on companies in China may vary depending on the availability of preferential tax treatment or subsidies based on their industry or location. The current flat corporate income tax rate is 33%. Certain of our subsidiaries are entitled to preferential tax treatments, including a two-year tax holiday followed by three years of tax rate that is lower than the statutory rate.

In March 2007, the PRC government enacted a new PRC Enterprise Income Tax Law, which will become effective on January 1, 2008 while providing various transition periods for existing preferential tax treatment. The new PRC Enterprise Income Tax Law imposes a unified income tax rate of 25% for most domestic enterprises and foreign-invested enterprises and also contemplates certain income tax exemptions and preferential treatment. As the new PRC Enterprise Income Tax Law is newly enacted and no implementation rules have been promulgated, there is no certainty as to its effect on our PRC subsidiaries. See "Financial Information — Key income statement items — Income tax expense" for further details. The new PRC Enterprise Income Tax Law could eliminate or significantly shorten the period in which we enjoy our preferential tax treatment. When our currently available tax benefits expire or otherwise become unavailable as a result of the enactment of the revisions of the Enterprise Income Tax Law or any other reasons, the effective income tax rate of our PRC subsidiaries will increase significantly, and any increase

RISK FACTORS

of the income tax rate applicable to such subsidiaries in the future could have a material adverse effect on our financial condition and results of operations. Moreover, our historical operating results may not be indicative of our operating results for future periods as a result of the expiration of the tax benefits currently available to us.

Certain production facilities occupied by us have defective titles.

The lessors of two properties leased by us for production purposes with a total gross floor area of approximately 1,782.1 sq.m. do not have proper title documents to the relevant properties. Though we have been occupying these leased premises in accordance with the terms of the relevant lease agreements, should either or both of these leases be found to be invalid and we are required to vacate from such properties during the respective terms of the lease agreements, our operations may be interrupted.

Risks Relating to Business Operations in China

Changes in PRC political and economic policies and conditions could adversely affect our business and prospects.

China has been, and will continue to be, our primary production base and currently almost all of our assets are located in China. While the PRC government has been pursuing economic reforms to transform its economy from a planned economy to a market-oriented economy since 1978, a substantial part of the PRC economy is still being operated under various controls of the PRC government. By imposing industrial policies and other economic measures, such as control of foreign exchange, taxation and foreign investment, the PRC government exerts considerable direct and indirect influence on the development of the PRC economy. Many of the economic reforms carried out by the PRC government are unprecedented or experimental and are expected to be refined and improved over time. Other political, economic and social factors may also lead to further adjustments of the PRC reform measures. This refining and adjustment process may not necessarily have a positive effect on our operations and our future business development. For example, the PRC government has in the past implemented a number of measures intended to slow down certain segments of the PRC economy that the government believed to be overheating, including raising benchmark interest rates of commercial banks, reducing money supply and placing additional limitations on the ability of commercial banks to make loans by raising bank reserves against deposits. Our business, prospects and results of operations may be materially and adversely affected by changes in the PRC economic and social conditions and by changes in the policies of the PRC government, such as measures to control inflation, changes in the rates or method of taxation and the imposition of additional restrictions on currency conversion.

Changes in foreign exchange and foreign investment regulations in China may affect our ability to invest in China and the ability of our PRC subsidiary to pay dividends and service debts in foreign currencies.

The Renminbi is not a freely convertible currency at present. The PRC government regulates conversion between the Renminbi and foreign currencies. Changes in PRC laws and regulations on foreign exchange may result in uncertainties in our financing and operating plans in China. Over the years, China has significantly reduced the government's control over routine foreign exchange transactions under current accounts, including trade- and service-related foreign exchange transactions, payment of dividends and service of foreign debts. In accordance with the existing foreign exchange regulations in China, our PRC subsidiary, Anton Oilfield Services (Group) Limited, is able to pay dividends and service debts in foreign currencies without prior approval from the PRC State Administration of Foreign Exchange, or SAFE, by

RISK FACTORS

complying with certain procedural requirements. However, there can be no assurance that the current PRC foreign exchange policies regarding debt service and payment of dividends in foreign currencies will continue in the future. Changes in PRC foreign exchange policies may have a negative impact on the ability of our PRC subsidiary to service its foreign currency-denominated indebtedness and to distribute dividends to us in foreign currencies.

Foreign exchange transactions by our PRC subsidiary under the capital account continue to be subject to significant foreign exchange controls. Subsequent to the Global Offering, we have the choice, as permitted by the PRC foreign investment regulations, to invest our net proceeds from the Global Offering in the form of registered capital or a shareholder loan into our PRC subsidiary to finance our operations in China. Our choice of investment is affected by the relevant PRC regulations with respect to capital-account and current-account foreign exchange transactions in China. In addition, our transfer of funds to our subsidiaries in China is subject to approval by PRC governmental authorities in case of an increase in registered capital, or subject to approval/registration with PRC governmental authorities in case of a shareholder loan. These limitations on the flow of funds between us and our PRC subsidiaries could restrict our ability to act in response to changing market conditions.

The uncertain legal environment in China could limit the legal protections available to you.

Our principal PRC subsidiary, Anton Oilfield Services (Group) Limited, is a wholly foreign-owned enterprise in China and is subject to laws and regulations applicable to foreign investments in China in general and laws and regulations applicable to wholly foreign-owned enterprises in particular. The PRC legal system is a civil law system based on written statutes. Unlike the common law system, the civil law system is a system in which decided legal cases have little precedential value. When the PRC government started its economic reform in 1978, it began to formulate and promulgate a comprehensive system of laws and regulations to provide general guidance on economic and business practices in China and to regulate foreign investments. China has made significant progress in the promulgation of laws and regulations dealing with economic matters such as corporate organization and governance, foreign investment, commerce, taxation and trade. However, the promulgation of new laws, changes in existing laws and abrogation of local regulations by national laws may have a negative impact on our business and prospects. In addition, as these laws, regulations and legal requirements are relatively recent and because of the limited volume of published cases and their non-binding nature, the interpretation and enforcement of these laws, regulations and legal requirements involve significant uncertainties. These uncertainties could limit the legal protections available to foreign investors, including you.

Our primary source of funds in the form of dividends and other distributions from our principal subsidiary in China is subject to various legal and contractual restrictions and uncertainties, and our ability to pay dividends or make other distributions to our shareholders is negatively affected by those restrictions and uncertainties.

We are a holding company incorporated in the Cayman Islands and conduct our core business operations through our principal PRC subsidiary, Anton Oil, in China. As a result, our profits available for distribution to our shareholders are dependent on the profits available for distribution from Anton Oil. If Anton Oil incurs debt on its own behalf, the debt instruments may restrict its ability to pay dividends or make other distributions, which in turn would limit our ability to pay dividends on our Shares. Under the current PRC laws, because we are incorporated in the Cayman Islands, our PRC subsidiary, Anton Oil, is regarded as a wholly foreign-owned enterprise in China. Although dividends paid by foreign-invested enterprises, such as wholly foreign-owned enterprises, are currently not subject to any PRC corporate withholding tax, the

RISK FACTORS

PRC laws permit payment of dividends only out of net income as determined in accordance with PRC accounting standards and regulations. Determination of net income under PRC accounting standards and regulations may differ from determination under IFRS in significant aspects. In addition, distribution of additional equity interests by Anton Oil to us which is credited as fully paid through capitalizing its undistributed profits requires additional approval of the PRC government due to an increase in the registered capital and total investment in Anton Oil. Under PRC laws, Anton Oil, a wholly foreign-owned enterprise, is required to set aside a portion of its net income each year to fund designated statutory reserve funds. These reserves are not distributable as cash dividends. As a result, our primary internal source of funds for dividend payments from Anton Oil is subject to these and other legal and contractual restrictions and uncertainties.

Recent PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may subject our PRC resident shareholders to personal liability and limit our ability to acquire PRC companies or to inject capital into our PRC subsidiaries, limit our PRC subsidiaries' ability to distribute profits to us, or otherwise materially and adversely affect us.

The SAFE issued a public notice in October 2005, or the SAFE notice, requiring PRC residents, including both legal persons and natural persons, to register with the competent local SAFE branch before establishing or controlling any company outside China, referred to as an “offshore special purpose company,” for the purpose of acquiring any assets of or equity interest in PRC companies and raising funds from overseas. In addition, any PRC resident that is the shareholder of an offshore special purpose company is required to amend its SAFE registration with the local SAFE branch with respect to that offshore special purpose company in connection with any increase or decrease of capital, transfer of shares, merger, division, equity investment or creation of any security interest over any assets located in China. If any PRC shareholder of an offshore special purpose company fails to make the required SAFE registration and amendment, the PRC subsidiaries of that offshore special purpose company may be prohibited from distributing their profits and the proceeds from any reduction in capital, share transfer or liquidation to the offshore special purpose company. Moreover, failure to comply with the SAFE registration and amendment requirements described above could result in liability under PRC laws for evasion of applicable foreign exchange restrictions. Our current beneficial owners who are PRC residents have registered with the local SAFE branch as required under the SAFE notice. The failure of these beneficial owners to amend their SAFE registrations in a timely manner pursuant to the SAFE notice or the failure of future beneficial owners of our company who are PRC residents to comply with the registration procedures set forth in the SAFE notice may subject such beneficial owners to fines and legal sanctions and may also result in restrictions on our PRC subsidiary's ability to distribute profits to us or otherwise materially and adversely affect our business.

RISK FACTORS

Risks Relating to This Offering

The market price of our Shares may be volatile.

The market price of our Shares is likely to be highly volatile and subject to wide fluctuations in response to factors such as:

- actual or anticipated fluctuations in our results of operations;
- announcements of new technologies or products by us or our competitors;
- news regarding any gain or loss of customers by us;
- news regarding recruitment or loss of key personnel by us or our competitors;
- announcements of competitive developments, acquisitions or strategic partnerships in our industry;
- changes in earnings estimates or recommendations by financial analysts;
- potential litigation or regulatory investigations;
- general market conditions or other developments affecting us or our industry;
- the operating and stock price performance of other companies, other industries and other events or factors beyond our control; and
- release of lock-up or other transfer restrictions on our outstanding Shares or equity securities or sales or perceived sales of additional equity securities or Shares.

In addition, the securities markets have from time to time experienced significant price and volume fluctuations that are not related to the operating performance of particular companies. These market fluctuations may also materially and adversely affect the market price of our Shares.

There has been no prior public market for our Shares or equity securities, and you may not be able to sell your Shares at or above the initial public offering price.

Before the Global Offering, there has been no public market for our Shares or equity securities. We cannot assure you that an active public market for our Shares will develop or that the market price of our Shares will not decline below the Offer Price. The Offer Price of our Shares will be determined by negotiations among us, the underwriters and may not be indicative of prices that will prevail in the trading market. You may be unable to resell your Shares at a price that is attractive to you.

RISK FACTORS

Historical dividend may not be a good indication of future dividend

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 of directors 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 of directors may deem relevant. You should refer to the “Dividend Policy” section in this prospectus for additional information regarding our current dividend policy and the risk factor entitled “— Risks Relating to Business Operations in China — Our primary source of funds in the form of dividends and other distributions from our operating subsidiary in China is subject to various legal and contractual restrictions and uncertainties, and our ability to pay dividends or make other distributions to our shareholders are negatively affected by those restrictions and uncertainties” above for additional legal restrictions on the ability of our PRC subsidiary to pay dividends to us.

Future financing may cause a dilution in your shareholding or place restrictions on our operations.

We may require additional funding to meet our working capital or capital expenditure requirements or in connection with any acquisition we may make in the future. If we raise such funding through issuance of new equity or equity-linked securities it may cause a dilution in the percentage ownership of our then existing shareholders. Alternatively, if we meet such funding requirements by way of additional debt financing, we may have restrictions placed on us through such debt financing arrangements which may:

- limit our ability to pay dividends or require us to seek consents for the payment of dividends;
- increase our vulnerability to general adverse economic and industry conditions;
- limit our ability to pursue our business strategies;
- require us to dedicate a substantial portion of our cash flow from operations to service our debt, thereby reducing the availability of our cash flow to fund capital expenditure, working capital requirements and other general corporate needs; and
- limit our flexibility in planning for, or reacting to, changes in our business and our industry.

Future sales or issuances, or perceived future sales or issuances, of substantial amounts of our Shares could adversely affect the price of our Shares.

If our existing shareholders sell, or are perceived as intending to sell, substantial amounts of our Shares, including those issued upon the exercise of our outstanding stock options, following the Global Offering, the market price of our Shares could fall. Such sales, or perceived potential sales, by our existing shareholders might make it more difficult for us to issue new equity or equity-related securities in the future at a time and place we deem appropriate. If any existing shareholder or shareholders sell a substantial amount of ordinary shares after the expiration of the lock-up period, the prevailing market price for our Shares could be adversely affected. See “Underwriting” for additional information regarding resale restrictions.

RISK FACTORS

In addition, we may issue additional Shares or ordinary shares for future acquisitions or other purposes. If we issue additional Shares or ordinary shares, your ownership interests in our company would be diluted and this in turn could have a material adverse effect on the price of our Shares.

You will experience immediate and substantial dilution in the book value of the Shares you purchase.

The Offer Price per Share is substantially higher than the net tangible book value per Share prior to the Global Offering. Accordingly, if you purchase our Shares in the Global Offering, you will incur immediate dilution in the net tangible book value per Share from the price you pay for our Shares. If we issue additional Shares in the future, you may experience further dilution. In addition, you may experience further dilution to the extent that ordinary shares are issued upon the exercise of stock options. Substantially all of the ordinary shares issuable upon the exercise of our currently outstanding stock options will be issued at a purchase price on a per Share basis that is less than the Offer Price per Share in the Global Offering.

You will have limited ability to bring an action against us or against our directors and officers, or to enforce a judgment against us or them.

We are incorporated in the Cayman Islands and conduct substantially all of our operations in China through our wholly owned subsidiary established in China. Most of our current directors and officers also reside outside Hong Kong. Substantially all of our assets and the assets of those persons are located outside Hong Kong. As a result, it may be difficult or impossible for you to bring an action against us or against these individuals in the Cayman Islands or in China in the event that you believe that your rights have been infringed under the applicable securities laws or otherwise. Even if you are successful in bringing an action of this kind, the laws of China may render you unable to enforce a judgment against our assets or the assets of our directors and officers.

Risks Relating to Statements Made in this Prospectus

We cannot guarantee the accuracy of any facts and statistics obtained from third party sources with respect to the industry section contained in this prospectus.

Facts and other statistics in this prospectus relating to the PRC, the PRC economy and the PRC oilfield services industry have been derived from various government official publications generally believed to be reliable. However, we cannot guarantee the quality or reliability of such source materials. They have not been prepared or independently verified by us, the Underwriters or any of their or our respective affiliates or advisers. Therefore, we make no representation as to the accuracy of the facts and statistics contained in such government and industry publications which may not be consistent with other information compiled within or outside the PRC. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics derived from government publications in the section headed “Industry Overview” in this prospectus with respect to the PRC, the PRC economy and the PRC oilfield services industry may be inaccurate or may not be comparable to statistics produced for other economies and should not be unduly relied upon. Further, there can be no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere.

RISK FACTORS

Investors should not place any reliance on any information contained in press articles or other media coverage regarding our Group and the Global Offering.

Prior to the publication of this prospectus, there were certain press articles and media coverage regarding us and the Global Offering appearing in publications such as Hong Kong Economic Times on November 13, 2007 and South China Morning Post on November 14, 2007 which may include certain corporate information, forward-looking statements, profit forecasts, our Group's market share, corporate structure and other information about us that are not disclosed in this prospectus. We have not authorized the disclosure of any such information in the press or media. We do not accept any responsibility for any such press articles or media coverage or the accuracy or completeness of any such information. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information appearing in publications other than this prospectus is inconsistent or conflicts with the information contained in this prospectus, we disclaim it. In making the decision as to whether to invest in our Shares, investors should rely solely on the information included in this prospectus and the Application Forms and not to place any reliance on any other information.

This prospectus contains forward-looking statements relating to our plans, objectives, expectations and intentions, which may not represent our actual performance for the periods of time to which such statements relate.

This prospectus contains certain forward-looking statements relating to our plans, objectives, expectations and intentions. Such forward-looking statements involve known and possibly unknown risks, uncertainties and other factors which may cause our actual performance or achievements to be materially different from the anticipated performance or achievements expressed or implied by the forward-looking statements in this prospectus. Such forward-looking statements are based on numerous assumptions as to our present and future business strategies and the environment in which we will operate in the future. Our actual performance or achievements may differ materially from those disclosed in this prospectus.

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements, including, without limitation, words and expressions such as “expect,” “believe,” “plan,” “intend,” “estimate,” “project,” “anticipate,” “may,” “will,” “would” and “could” or similar words or statements, in particular, in “Business” and “Financial Information” in relation to future events, our future business or other performance and development, the future development of our industry and the future development of the general economy of our key markets and globally.

These statements are based on numerous assumptions regarding our present and future business strategy and the environment in which we will operate in the future. These forward-looking statements reflecting our current views with respect to future events are not a guarantee of future performance and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this prospectus, and the following:

- future developments in the oilfield services industry in the PRC and overseas;
- the industry regulatory environment as well as the outlook of the oilfield services industry generally;
- the amount and nature of, and potential for, future development of our business;
- our business strategy and plan of operation; and
- our dividend policy.

Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section.

In this prospectus, statements of or references to our intentions or any of our Directors are made as of the date of this prospectus. Any such intentions may change in light of future developments.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus includes particulars given in compliance with the Hong Kong Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules of Hong Kong (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information to the public with regard to us. Our Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus and confirm, having made all reasonable enquiries, that, to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete, there are no other facts the omission of which would make any statement in this prospectus misleading; and all opinions expressed in this prospectus have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

THE PUBLIC OFFER AND THIS PROSPECTUS

This prospectus is published solely in connection with the Public Offer, which forms part of the Global Offering. For applicants under the Public Offer, this prospectus and the Application Forms contain all the terms and conditions of the Public Offer.

The Public Offer Shares are offered solely on the basis of the information contained and the representations made in this prospectus. No person is authorized in connection with the Public Offer to give any information or to make any representation not contained in this prospectus. Any information or representation not contained in this prospectus must not be relied upon as having been authorized by our Company, the Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Joint Sponsors, any of the Underwriters, any of their respective directors or any other person involved in the Global Offering.

Neither the delivery of this prospectus nor any subscription or acquisition made under it shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this prospectus or that the information in it is correct as at any subsequent time.

UNDERWRITING

The Global Offering comprises the Public Offer of initially 52,000,000 Public Offer Shares and the International Offer of initially 468,000,000 International Offer Shares subject, in each case, to reallocation on the basis described in the section headed "Structure of the Global Offering" in this prospectus.

The application for the listing of the Shares is sponsored by the Joint Sponsors. The Public Offer is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to our Company and the Joint Bookrunners, on behalf of the Underwriters, agreeing on the Offer Price. The Global Offering is managed by the Joint Bookrunners.

If, for whatever reason, the Offer Price is not agreed between the Joint Bookrunners and us by December 10, 2007, the Global Offering will not become unconditional and will lapse immediately. Further information about the Hong Kong Underwriters and the underwriting arrangements is set out in "Underwriting."

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

RESTRICTIONS ON SALES OF THE OFFER SHARES

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

Australia

No prospectus, disclosure document, offering material or advertisement in relation to the Shares has been lodged with the Australian Securities and Investments Commission or the Australian Securities Exchange Limited. Accordingly, a person may not (a) make, offer or invite applications for the issue, sale or purchase of the Shares within, to or from Australia (including an offer or invitation which is received by a person in Australia) or (b) distribute or publish this prospectus or any other prospectus, disclosure document, offering material or advertisement relating to the Shares in Australia, unless (i) the offer does not require disclosure to investors in accordance with Part 6D.2 of the Corporations Act 2001(CWLTH) of Australia; and (ii) such action complies with all applicable laws and regulations.

Bermuda

No offer of the Shares may be made to any person regarded as resident of Bermuda for exchange control purposes.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “Relevant Member State”), with effect from and including the date on which the Prospectus Directive, including any applicable implementing measures is implemented in that Relevant Member State (the “Relevant Implementation Date”), an offer of shares has not been made or will not be made to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Shares which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and reported to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that in accordance with the following exemptions under the Prospectus Directive, if they are implemented in such Relevant Member State, the offer of the Shares is only being made:

- (a) to legal entities which are authorized or regulated to operate in the financial markets or, if not authorized or regulated, whose corporate purpose is solely to invest in securities;
- (b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000; and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that such offer will not require the publication of a prospectus pursuant to Article 3 of the Prospectus Directive or any measure implementing the Prospectus Directive in that Relevant Member State. For the purposes of this provision, the expression an “offer of shares to the public” in relation to any shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the shares to be offered so as to enable an investor to decide to purchase or subscribe the shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression “Prospectus Directive” means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

Japan

The Shares have not been and will not be subject to filing under the Finance Instruments and Exchange Law of Japan, as amended, and the International Purchasers have agreed not to offer or sell, directly or indirectly, any Shares in Japan or to, or for the account of, any resident thereof, except pursuant to an exemption from the registration requirements of the Finance Instruments and Exchange Law of Japan and otherwise in compliance with applicable provisions of Japanese law.

Kuwait

The Shares have not been authorized or licensed for offering, marketing or sale in the State of Kuwait. The distribution of this prospectus and the offering and sale of the Shares in the State of Kuwait is restricted by law unless a license is obtained from the Kuwaiti Ministry of Commerce and Industry in accordance with Law 31 of 1990. Persons into whose possession this prospectus come are required by us and the International Purchasers to inform themselves about and to observe such restrictions. Investors in Kuwait who approach us or any of the International Purchasers to obtain copies of this prospectus are required by us and the International Purchasers to keep such prospectus confidential and not to make copies thereof or distribute the same to any other person and are also required to observe the restrictions provided for in all jurisdictions with respect to offering, marketing and the sale of the Shares.

Malaysia

This prospectus may not be circulated or distributed in Malaysia and no Shares may be offered or sold within Malaysia other than to corporations (including offshore companies under the Offshore Companies Act 1990 in Labuan) with total net assets exceeding RM10 million or its equivalent in foreign currencies, high net worth individuals with a total net personal assets exceeding RM3 million or its equivalent in foreign currencies and principals that enter into transactions of a minimum value of RM250,000 for each transaction and in such cases, only if the prior permission of the Securities Commission of Malaysia under Section 32 of the Securities Commission Act 1993 is obtained and a copy of this prospectus is lodged with the Securities Commission of Malaysia within seven days of its issue.

PRC

This prospectus may not be circulated or distributed in the PRC and the Shares may not be offered or sold directly or indirectly to any resident of the PRC, or offered or sold to any person for re-offering or resale directly or indirectly to any resident of the PRC except pursuant to applicable laws and regulations of the PRC.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

Singapore

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of Shares may not be circulated or distributed, nor may Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”), (ii) to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where shares are subscribed or purchased under Section 275 by a relevant person which is:

- (a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor,

shares, debentures and units of shares and debentures of that corporation or the beneficiaries’ rights and interest in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the shares under Section 275 except:

- (1) to an institutional investor or to a relevant person, or to any person pursuant to an offer that is made on terms that such rights or interest are acquired at a consideration of not less than S\$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets;
- (2) where no consideration is given for the transfer; or
- (3) by operation of law.

Qatar

This prospectus does not constitute an invitation or public offer of securities in the State of Qatar and accordingly should not be construed as such. This prospectus may be issued to a limited number of sophisticated investors and must not be provided to any person other than the original recipient. It is not for general circulation in the State of Qatar and may not be reproduced or used for any other purpose.

United Arab Emirates

The Shares have not been offered or sold, and will not be offered or sold, directly or indirectly, in the United Arab Emirates, except (i) in compliance with all applicable laws and regulations of the United Arab Emirates, and (ii) through persons or corporate entities authorized and licensed to provide investment advice and/or engage in brokerage activity and/or trade in respect of foreign securities in the United Arab Emirates.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

The information contained in this prospectus does not constitute a public offer of securities in the United Arab Emirates in accordance with the Commercial Companies Law (Federal Law No. 8 of 1984 (as amended)) or otherwise and is not intended to be a public offer and is addressed only to persons who are sophisticated investors.

United Kingdom

The Shares may not be offered or sold and will not be offered or sold to any persons in the United Kingdom other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or otherwise in circumstances which have not resulted or will not result in an offer to the public in the United Kingdom within the meaning of the Financial Services and Markets Act 2000 (the “FSMA”).

In addition, any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) in connection with the issue or sale of the shares may only be communicated or caused to be communicated in circumstances in which Section 21(1) of the FSMA does not apply. Without limitation to the other restrictions referred to herein, this prospectus and any other material in relation to the Shares is only being distributed to and is only directed at persons (i) who are outside the United Kingdom and /or (ii) persons who:

- (a) are qualified investors as defined in section 86(7) of FSMA, being persons falling within the meaning of article 2.1(e)(i), (ii) or (iii) of the Prospectus Directive; and
- (b) are either persons who fall within article 19(1) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “Order”) or are persons who fall within article 49(2)(a) to (d) (“high net worth companies, unincorporated associations, etc”) of the Order; or
- (c) to whom it may otherwise lawfully be communicated in circumstances in which Section 21(1) of the FSMA does not apply,

(all such persons together being referred to as “relevant persons”).

The Shares are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such new Shares will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this prospectus or any of its contents. Each of the International Purchasers has severally represented, warranted and agreed as follows:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the securities in circumstances in which Section 21(1) of FSMA does not apply; and
- (b) it has complied and will comply with all applicable provisions of the FEMA with respect to anything done by it in relation to the securities in, from or otherwise involving the United Kingdom.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

United States

The Shares have not been and will not be registered under the Securities Act or the securities laws of any state of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state laws. Accordingly, the Shares are being offered and sold only (i) inside the United States to qualified institutional buyers pursuant to Rule 144A or another exemption from the registration requirements under the Securities Act and (ii) outside the United States in reliance on Regulation S. The International Purchasers propose to place Shares outside of the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act and in accordance with applicable law. Certain of the International Purchasers propose to place Shares through their respective U.S. selling agents, only to qualified institutional buyers (as such term is defined in Rule 144A under the Securities Act) in the United States. Any offer or sale of Shares in the United States will be made only by broker-dealers who are registered as such under the Exchange Act. Until the expiration of 40 days after the later of the commencement of the Global Offering and the date of the closing of the Global Offering, an offer or sale of Shares within the United States by a dealer (whether or not participating in the Global Offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an exemption from, or in a transaction not subject to, such requirements or in accordance with Rule 144A or pursuant to another exemption from the registration requirement of the Securities Act.

The Shares have not been approved or disapproved by the SEC, any state securities commission in the United States or any other United States regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the Global Offering or the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offence in the United States.

If you purchase the Shares in the International Offer, you will be deemed to have made representations and agreements as described under “Restrictions On Sales of the Offer Shares” in this prospectus.

Cayman Islands

Our Shares may not be offered or sold, directly or indirectly, to the public in the Cayman Islands.

LISTING

We have applied to the Listing Committee of the Stock Exchange for listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including any additional Shares that may be issued pursuant to the exercise of the Over-allotment Option, any Shares which may be issued under the Capitalization Issue and any Shares issuable on the exercise of any options under the Pre-IPO Share Option Scheme and which may be granted under the Share Option Scheme). Our PRC legal adviser, Tian Yuan Law Firm, has advised us that we are not required to obtain the approval of other PRC governmental or regulatory authorities in respect of the Listing and the Global Offering. In particular, Tian Yuan Law Firm has advised us that the Provisions on the Takeover of Domestic Enterprises by Foreign Investors are not applicable to the Listing and the Global Offering.

No part of our share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to deal is being or proposed to be sought in the near future.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

ELIGIBILITY FOR CCASS

If the Stock Exchange grants the listing of, and permission to deal in, our Shares on the Stock Exchange and we comply with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second trading day after any trading day. You should seek the advice of your stockbroker or other professional adviser for details of those settlement arrangements as such arrangements will affect your rights and interests.

All necessary arrangements have been made for the Shares to be admitted into CCASS.

All activities under CCASS are subject to the general rules of CCASS and CCASS operational procedures in effect from time to time.

HONG KONG REGISTER

All Shares issued by us pursuant to applications made in the Public Offer will be registered on our branch register of members to be maintained in Hong Kong. Our principal register of members will be maintained by our Principal Share Registrar in the Cayman Islands.

STAMP DUTY

Dealings in the Shares registered on our Hong Kong branch register will be subject to Hong Kong stamp duty. See the section entitled “Taxation of holders of Shares” in Appendix VIII.

PROFESSIONAL TAX ADVICE RECOMMENDED

If you are unsure about the taxation implications of subscribing for, purchasing, holding or disposing of, and dealing in, our Shares, you should consult an expert.

We emphasize that none of the Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Joint Sponsors, the Underwriters or us, any of our or their respective directors, officers nor any other persons involved in the Global Offering accepts responsibility for your tax affairs or liability resulting from your subscription for, purchase, holding or disposing of, or dealing in, our Shares or your exercise of any rights attaching to our Shares.

STABILIZATION AND OVER-ALLOTMENT

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the market price of the securities below the offer price. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the offer price. In connection with the Global Offering, the Stabilizing Manager, on behalf of the International Purchasers, may over-allocate or effect transactions with a view to supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. Such transactions may be effected in compliance with all applicable laws and regulatory requirements.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

However, there is no obligation on the Stabilizing Manager, its affiliates or any person acting for it to do this. Such stabilization, if commenced, will be conducted at the absolute discretion of the Stabilizing Manager, its affiliates or any person acting for it and may be discontinued at any time, and must be brought to an end after a limited period.

Further details with respect to stabilization and the Over-allotment Option are set out in “Structure of the Global Offering — Over-allotment Option and Stock Borrowing Arrangement” and “Structure of the Global Offering — Stabilization.”

PROCEDURE FOR APPLICATION

The application procedure for the Public Offer Shares is set out in “How to Apply for Public Offer Shares” and on the relevant Application Forms.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including the conditions to which the Global Offering is subject, are set out in “Structure of the Global Offering” of this prospectus.

ROUNDING

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

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

Name	Residential address	Nationality
<i>Executive Directors</i>		
Luo Lin (羅林)	C-1507, Phoenix City Shuguang Xili Jia No. 5 Chaoyang District Beijing People's Republic of China	Chinese
Ma Jian (馬健)	No. 803, Unit 9 No. 26 Dong Nei Bei Xiao Jie Dong Cheng Qu Beijing People's Republic of China	Chinese
Pan Weiguo (潘衛國)	Room 1601, No. 605 Wang Jing Dong Yuan 6 Qu Chaoyang District Beijing People's Republic of China	Chinese
<i>Independent Non-Executive Directors</i>		
Zhang Yongyi (張永一)	Room 906, 112 Ande Road Xicheng District Beijing People's Republic of China	Chinese
Zhu Xiaoping (朱小平)	No. 16, 2nd Floor, Lin Yuan Renmin University Haidian District Beijing People's Republic of China	Chinese
Wang Mingcai (王明才)	Room 1501, 24th Floor An Hua Xi Li Yi Qu Chaoyang District Beijing People's Republic of China	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED

Global Coordinator	Credit Suisse (Hong Kong) Limited 45th Floor, Two Exchange Square Central, Hong Kong
Joint Bookrunners	Credit Suisse (Hong Kong) Limited 45th Floor, Two Exchange Square Central, Hong Kong J.P. Morgan Securities Ltd. 125 London Wall London EC2Y 5AJ United Kingdom
Joint Sponsors and Joint Lead Managers	Credit Suisse (Hong Kong) Limited 45th Floor, Two Exchange Square Central, Hong Kong J.P. Morgan Securities (Asia Pacific) Limited 28th Floor, Chater House 8 Connaught Road Central, Hong Kong
Legal advisors to the Company	<i>as to Hong Kong and U.S. law:</i> Sidley Austin 39th Floor, Two International Finance Centre 8 Finance Street Central Hong Kong <i>as to PRC law:</i> Tian Yuan Law Firm 11th Floor, Tower C, Corporate Square 35 Financial Street Xicheng District Beijing 100032 People's Republic of China <i>as to Cayman law:</i> Maples and Calder 1504, One International Finance Centre 1 Harbour View Street Central, Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

**Legal advisors to the
Hong Kong Underwriters**

as to Hong Kong and U.S. law:

Jones Day
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as to PRC law:

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Beijing 100005
People's Republic of China

Reporting accountant

PricewaterhouseCoopers
Certified Public Accountants
22nd Floor, Prince's Building
Central
Hong Kong

Property valuer

Savills Valuation and Professional Service Limited
23rd Floor, Two Exchange Square
Central
Hong Kong

Receiving bankers

Hang Seng Bank Limited
83 Des Voeux Road
Central
Hong Kong

Industrial and Commercial Bank of China
(Asia) Limited
33rd Floor, ICBC Tower
3 Garden Road
Central
Hong Kong

CORPORATE INFORMATION

Registered Office	PO Box 309 GT, Umland House South Church Street George Town, Grand Cayman Cayman Islands
Place of business in Hong Kong	8th Floor, Gloucester Tower The Landmark 15 Queen's Road Central Hong Kong
Company Secretary	Ngai Wai Fung FCIS, FCS, CPA, ACCA
Qualified Accountant	Liu Yu AICPA
Authorized Representatives	Luo Lin C-1507, Phoenix City Shuguang Xili Jia No. 5 Chaoyang District Beijing People's Republic of China Ngai Wai Fung 26A Wah Shan Mansion 17 Tai Koo Shing Road Quarry Bay Hong Kong
Members of the Audit Committee	Zhu Xiaoping (Chairman), Zhang Yongyi and Wang Mingcai
Members of the Remuneration Committee	Wang Mingcai (Chairman), Zhu Xiaoping and Luo Lin
Members of the Nomination Committee	Zhang Yongyi (Chairman), Wang Mingcai and Luo Lin
Principal share registrar and transfer office	Butterfield Fund Services (Cayman) Limited Butterfield House, 68 Fort Street P.O. Box 75 George Town Grand Cayman KY 1-1107 Cayman Islands
Hong Kong branch share registrar and transfer office	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor Hopewell Centre 183 Queen's Road East Wanchai, Hong Kong
Compliance adviser	Guotai Junan Capital Limited

CORPORATE INFORMATION

Principal bankers

Shanghai Pudong Development Bank
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No. 10, Jiuxianqiao Road
Chaoyang District
Beijing 100016,
PRC

Bank of Beijing
(Zhongguancun Branch)
No. 28, Zhongguancun Street
Haidian District
Beijing
PRC

INDUSTRY OVERVIEW

The information and statistics set out in this section have been extracted from various publicly available official sources. Such information and statistics have not been independently verified by us, the Joint Bookrunners, the Joint Sponsors, the Underwriters or any of their respective directors and advisers or any other party involved in the Global Offering. The information and statistics set out in this section may not be consistent with other information compiled by other official sources within or outside the PRC or Hong Kong. We have taken reasonable care in the reproduction of information extracted from official government publications.

Oilfield Services Sector Overview

The oilfield services sector consists of services and equipment, provided by oilfield services companies, to support the field-related activities of companies involved in the exploration and production of oil and gas. A wide spectrum of oilfield services and equipment are required throughout the life of an oil or gas field. The provision of these services and equipment are generally contracted out to oilfield services companies, with the upstream exploration and production companies focusing on the exploration, extraction and production of crude oil and natural gas, and the refining and distribution of petroleum products. Meanwhile, oilfield services providers offer services such as geophysical exploration, well drilling, cementing, well completion, production stimulation, maintenance and ground construction services.

Demand for oilfield services and equipment is driven by the level of exploration and production activities, which is closely correlated to oil and gas prices and upstream exploration and development expenditures. With the strengthening of oil and gas prices since 2001 and the decline in “easy oil” discoveries, drilling activity and field developments have accelerated. From 2002 to 2006, Brent crude oil prices increased significantly at a CAGR of 27.5%, from an average of approximately US\$25.1 (RMB186.1) per barrel to US\$66.2 (RMB490.9) per barrel, driving an increase in upstream development and exploration expenditures globally. As of November 27, 2007, the Brent crude oil spot price closed at US\$95.6 (RMB709.0) per barrel, and the average price since 2007 is US\$70.8 (RMB525.1) per barrel. The collective development and exploration expenditures by five major global oil and gas producers, namely ExxonMobil, BP, Shell, Total and Chevron, increased from US\$43.7 billion (RMB324.1 billion) in 2002 to US\$66.5 billion (RMB493.2 billion) in 2006, at a CAGR of 11.1%. Given such significant growth, demand for many oilfield services has exceeded the global supply, and has resulted in an increase in prices for oilfield services and equipment.

The global oilfield services market can be broadly divided into three market segments. The North American and European markets have evolved into a mature and advanced market, where high-end oilfield services are most widely used. In comparison, the oilfield services sector in China and member countries of the Former Soviet Union States are in relatively early stages of development, with a focus mainly on conventional, low-cost, and less technologically advanced products and services. These markets have traditionally been supported by the oilfield services subsidiaries of large domestic state-owned national oil and gas companies, and were used predominantly for in-house operations. More recently, small private domestic oilfield services companies have begun to emerge in these markets and grow quickly, filling the technological and supply gap on a cost-competitive basis. These private oilfield services companies are also important providers to new entrants into the domestic upstream exploration and production market. Other emerging market regions with abundant resources, such as Latin America, Africa, central Asia and the Middle East, are mainly dependent on oilfield services equipment imports and are generally open to foreign oilfield services companies, whether from the United States, Europe or China.

INDUSTRY OVERVIEW

Overview of China's Oilfield Services Industry

China's demand for oilfield services is closely correlated to its exploration and production activities. In 2006, China's upstream drilling and development capital expenditures exceeded US\$22.0 billion (RMB163.2 billion), which is supported by strong long term factors. Based on the China Statistical Yearbook 2006, energy consumption in China rose rapidly, supported by strong domestic economic growth, and with oil and gas accounting for approximately 23.9% of China's primary energy consumption in 2005. Driven by national energy security concerns in the context of China's significant crude oil import dependency currently, China's government is encouraging the upstream oil and gas companies to increase their investments in oilfield exploration and development, in order to raise domestic production. The PRC government is also encouraging increased involvement of international and private sector oilfield services companies to facilitate the development of marginal oilfields, which will also drive the demand for oilfield services.

China's geological environment is comparable in many respects to the United States, particularly in terms of total land area and geological characteristics. The United States' proven oil and natural gas reserves were approximately twice that of China, while its level of production is more than three times the size of China. This suggests that China's upstream market has a greater production growth potential relative to its proven reserve base than the United States.

Comparison of the upstream sector and drilling activity between the United States and China

	China	United States
Total land area (km ²)	9,326,410	9,161,923
Oil and gas reserves (2006)	30,680 mmboe	64,781 mmboe
Oil and gas production (2006)	1,689 mmboe	5,592 mmboe
Reserve to production ratio (2006)	18.2x	11.6x
Producing wells (2006)	71,542	896,629
Wells drilled onshore (2001 to 2006).	78,000	224,540
Wells drilled offshore (2001 to 2006)	800	5,740
Land area-to-onshore wells drilled ratio (2001 to 2006)	119.6 km ² per well	40.8 km ² per well

Source: Ministry of Commerce of the People's Republic of China, 2006; BP Statistical Review of World Energy 2007; Central Intelligence Agency Factbook; Spears & Associates, Inc.

In 1998-1999, the three major national oil companies in China, namely CNPC, Sinopec and CNOOC, restructured themselves into separate upstream exploration and production companies, and oilfield services companies. This is in line with the PRC government's proposed strategy of gradually withdrawing from competitive industries, with a view that oilfield services should not be a part of the core business of the state-owned upstream exploration and production companies.

Subsequently, these national oil companies have established new exploration and development regions (such as the Tarim Basin and Nanhai oilfield), facilitating the introduction of international and domestic private sector oilfield services companies into these regions, particularly in relation to new oilfield services and technologies in the areas of well cementing, well completion and oilfield equipment.

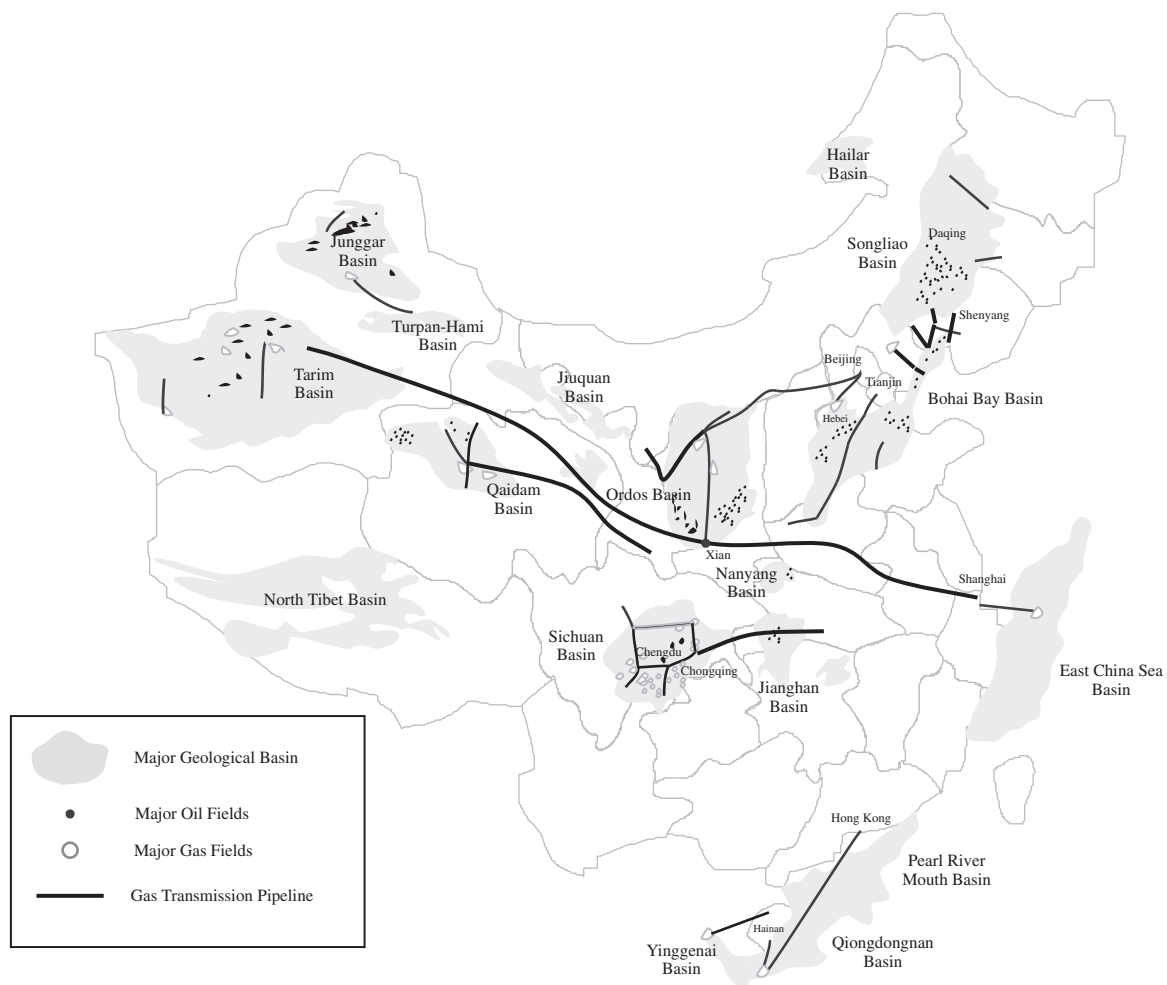
INDUSTRY OVERVIEW

The increased involvement of international and private sector oilfield services companies has led to greater competition in the oilfield services market as well as technological advancements, and these companies are expected to play an increased role in China's oilfield services market in the future.

China Upstream Overview

Due to sustained economic and energy demand growth, China became a net oil importer in 1994, and has remained so to date, with crude oil imports accounting for approximately 50.5% of aggregate demand in 2006. The Chinese economy grew at a CAGR of 10.3% over the five years since 2001, driving national oil consumption growth at a CAGR of 8.9% and natural gas consumption growth at a CAGR of 18.1%. Meanwhile, China's oil production grew only at a CAGR of 2.4% and was insufficient to keep pace with surging domestic demand.

Over the past decade, exploration and production in China have increased significantly. This was driven by China's growing demand for energy, strong crude oil prices and increasing domestic gas prices. The map below shows major oil and gas production areas and current natural gas transmission pipelines in China.



Source: Industry research, PetroChina, CNOOC, Sinopec

INDUSTRY OVERVIEW

China Upstream and Macro Summary

	2002	2003	2004	2005	2006	CAGR
Proven reserves						
Oil Reserves (mmbbl)	16,024	16,085	16,122	16,189	16,271	0.4%
Gas Reserves (bcf).	53,325	78,712	77,692	86,486	86,486	12.9%
Total (mmboe).	24,911	29,203	29,071	30,603	30,685	5.4%
Macroeconomic						
GDP Growth	9.1%	10.0%	10.1%	10.4%	10.7%	10.3%
Production and Consumption						
Oil Production (mmbbl)	1,221	1,241	1,271	1,324	1,345	2.4%
Oil Consumption (mmbbl)	1,930	2,118	2,472	2,549	2,717	8.9%
Gas production (bcf)	1,153	1,237	1,443	1,764	2,068	15.7%
Gas Consumption (bcf)	1,008	1,174	1,370	1,615	1,963	18.1%
Implied import dependency.	36.7%	41.4%	48.6	48.1%	50.5%	

Source: BP Statistical Review of World Energy 2007; China Statistical Year Book 2006

China's proven crude oil reserves were 16.3 billion barrels and its gas reserves were 86.5 trillion cubic feet at year end 2006. In comparison, based on the BP Statistical Review of World Energy 2007, the United States' national proven oil and natural gas reserves were 29.9 billion barrels and 209.2 trillion cubic feet respectively. Therefore, the reserve to production ratio of China is 18.2 times compared to that of the United States at 11.6 times. This suggests that China has a greater growth potential compared to other mature markets such as the United States. The continued development of China's upstream segment is expected to drive significant oilfield services demand.

China's dependency on oil imports remain a national energy security concern and presents a challenge to the national economy. Traditionally, exploration and production activities in China focused heavily on the oilfields in the northern and eastern regions, including the prolific Daqing and Shengli oilfields, resulting in numerous mature oilfields in these regions today. The three major oil companies in China, namely CNPC, Sinopec and CNOOC, all have strategies in place aimed at increasing production, via both domestic development and overseas acquisitions. More importantly, they will also focus on the introduction of new oilfield services technologies to increase the recovery rate of these mature oilfields.

In addition, with the government and market prices encouraging the development of a domestic gas market, investments in exploration and development of the underdeveloped central and western China regions have increased significantly, as these basins contain abundant natural gas. The Luojiashai gas field and Puguang gas field in the Sichuan Basin provide one set of example given the gas discoveries made thus far. Based on the Sinopec news webpage (<http://www.sinopecnews.com.cn>) dated November 3, 2005, Luojiashai is estimated to have more than 58 billion cubic meters of gas reserves, and based on the 2006 annual report of Sinopec Puguang has about 356 billion cubic meters of proven reserves. The development of these basins in western China is expected to drive long term growth in production, and the associated demand for oilfield services, and rebalance China's upstream production away from its historical focus towards the northern and eastern regions.

INDUSTRY OVERVIEW

China's upstream market principally includes the three major national oil companies, namely CNPC, Sinopec and CNOOC. Based on the data in the 2006 annual reports of CNOOC, Sinopec, and PetroChina, the upstream listed subsidiaries of these national oil companies together represent 93.1% of the upstream market by production, with the three major oil companies contributing 1,553 million barrels of oil equivalent of production in 2006. Onshore oilfield developers mainly consist of CNPC and Sinopec, while CNOOC is the major offshore oilfield company. After undergoing successful onshore exploration in recent years, CNPC and Sinopec are also entering the offshore oilfield development market. In addition to domestic development, the three major oil companies are also expanding into foreign oilfield development markets through acquisitions, and have successfully acquired large and medium size oil and gas fields in the Middle East, Africa, and South America. The international expansion by these Chinese national oil companies provide opportunities for domestic oilfield services companies, who have existing domestic operations, to also expand overseas with their international exploration and development activities.

Historical production by the three national oil companies in China (in million barrels of oil equivalent)

<u>Year</u>	<u>PetroChina</u>	<u>Sinopec</u>	<u>CNOOC Ltd</u>
2006.	1,059.4	327.8	165.9
2005.	1,009.5	315.8	154.0
2004.	960.3	307.9	138.7
2003.	888.8	302.1	129.6
2002.	870.6	299.5	125.7

Source: Annual reports of PetroChina, Sinopec and CNOOC Ltd.

Other than the three major national oil companies, China's upstream market has also become increasingly active in recent years due to government policies which support new private entrants to the upstream sector. In 1999, a local oil company, Shaanxi Yanchang Oil Industry Group, was established in the Shaanxi Province. In 2006, the company, renamed as Shaanxi Yanchang Petroleum (Group) Co. Ltd, produced 9.3 million tons of crude oil to become the fourth biggest oil producer in China. Other private oil companies and foreign oil companies also entered the upstream market in recent years, with foreign oil companies mainly operating in offshore oilfields and new areas, while private oil companies mainly invested in small blocks and marginal onshore oilfields. The continued liberalization and opening of China's upstream market to new industry participants provide positive support to China's long term production growth.

China Oilfield Services Demand

The demand for oilfield services in China is directly linked to the capital expenditures of companies engaged in oilfield exploration and development in China. This is demonstrated by the growth of exploration and development expenditures by the three major national oil companies between 2003 and 2006, at a CAGR of 24%.

INDUSTRY OVERVIEW

Exploration and development expenditures by the three national oil companies in China

<u>(RMB mm)</u>	<u>PetroChina</u>	<u>Sinopec</u>	<u>CNOOC Ltd</u>
2006.....	114,520	31,734	23,041
2005.....	92,233	23,095	16,606
2004.....	70,217	21,234	12,843
2003.....	58,999	20,628	8,272
2002.....	50,646	20,228	6,833

Source: Annual reports of PetroChina, Sinopec and CNOOC Ltd.

Whilst the demand for oilfield services in China is already significant, the China oilfield services industry remains at its early stage of development, particularly when compared with the mature markets of North America and Europe, and therefore has additional growth potential. Although drilling activity onshore in China has increased at a 11.6% CAGR since 2001 in terms of wells drilled, overall activity remains about one third the size of the United States onshore market. In 2006, according to Spears & Associates approximately 16,850 wells were drilled onshore China. In contrast, there was an estimated 48,534 wells drilled onshore United States in 2006.

Over the past few decades, China's oilfield services industry had been operating in a similar manner to that of the former Soviet Union, where its oilfield services sector is mostly focused on conventional, low cost services and equipment. These conventional services and equipment are generally sufficient for countries with abundant resources such as the former Soviet Union. However, for countries with limited oil and gas resources and complex geological conditions such as China, conventional oilfield services technologies would generally lead to decline rates coming into effect earlier, and prevent the optimal production volume and field life from being achieved.

As the United States shares similar geological conditions as China, a number of the more advanced oilfield services technologies developed by the international oilfield services companies are increasingly being applied in China. This is particularly significant in the context of the PRC government which encourages domestic involvement of the private sector and the international oilfield services companies, and is expected to drive improved technologies and increased application of high-end oilfield services in China.

The five key demand drivers of Chinese oilfield services and equipment include:

Development of newly discovered oil and gas fields:

These regions include basins such as the Tarim Basin, Sichuan Basin, and Ordos Basin, which are expected to be significant contributors to replacing oil and gas production from the mature north and east regions, where the mature Daqing and Shengli oilfields are located. Examples of significant new fields in the Sichuan basin include the Sichuan Luojiashai natural gas field, Puguang natural gas field and the Nanpu oilfield.

INDUSTRY OVERVIEW

The increased efforts in exploration and development activities in these newer regions can be reflected by the number of wells drilled. For example, according to the 2006 annual report of PetroChina, in the Tarim Basin of the Xinjiang region in North-western China, PetroChina increased its number of net exploratory wells drilled from 153 in 2004 to 180 in 2006, implying a CAGR of 8.5%, compared to a 4.9% CAGR for the total number of net exploratory wells drilled in China by PetroChina.

In particular, increased emphasis is placed on the exploration and development of natural gas, reflected by the number of natural gas wells drilled by PetroChina in the Xinjiang region increasing from no wells drilled in 2004 to 21 in 2006 according to the 2006 annual report of PetroChina. For the new and emerging west and southwest regions, petroleum deposits, particularly natural gas, are found in deeper formations, often at depths of 5,000 meters or greater, frequently resulting in more hostile, high pressure, high temperature well conditions, which require more specialized drilling and well completion services and equipment. Moreover, such formations frequently have corrosive sulphur-based gases, such as hydrogen sulphide, which significantly accelerates the corrosion process on down-hole drilling and production equipment. Given China's new exploration and development focusing towards the west and southwest regions, the average well drilling depths in China have continued to increase, requiring greater drilling time and increasingly sophisticated well services and equipment.

Mature oilfield optimization:

The more mature oilfields in China are mainly concentrated in the eastern regions, including the Daqing, Liaohe, and Shengli oilfields, as well as in the northwestern region, the Karamay oilfield. These oilfields, whilst still important contributors to China's overall oil production, face production declines in the future. For illustration, according to China Chemical Yearbook, forecast oil production from the western regions of China is forecast to increase at a CAGR of 3.8% between 2005 and 2020, compared to a decline rate of 1.8% in the eastern regions of China. However in many cases, increased oilfield services and drilling are required in the mature oilfields in order to optimize production and reduce the decline rate. For example, according to PetroChina, the mature Daqing oilfield which was discovered in 1959, has seen oil production decline from 1,048 kbopd in 2001 to only 883 kbopd in 2006. Yet, over the same period, PetroChina has increased the number of net exploratory and development wells drilled at Daqing at a CAGR of 24.4% and 11.7% respectively, reflecting strong sustained demand for oilfield services and application of high-end services to address the production decline.

Well completion is one example of value-added oilfield services which plays an important role in increasing the production recovery rates of mature oilfields. While well completion techniques have historically not been applied broadly in China in comparison to other more developed markets, the declining production in key mature fields is expected to drive more extensive use of these techniques in the future. Similarly, as drilling conditions in onshore China become increasingly complex, the use of horizontal wells has increased significantly in order to enhance production rates, particularly for mature or marginal oilfields. CNPC has increased its horizontal wells drilled from 200 wells in 2005 to approximately 522 wells in 2006 and plan for 674 more wells to be drilled in 2007. In contrast, according to Spears & Associates, the United States drilled 4,837 horizontal wells in 2006.

INDUSTRY OVERVIEW

Compared with developed markets, the use of advanced well completion and other production enhancement techniques remain relatively low in China. It is anticipated that oilfield services companies operating in China will continue to focus on developing these technologies, which is expected to drive greater demand for oilfield services in the future.

Development of small and medium sized private sector upstream oil companies:

Outside of the three major national oil companies, China's upstream market has become increasingly active in recent years due to government policies supportive of new private entrants to the upstream sector. An increasing number of medium sized private upstream oil companies have emerged, generally focusing on smaller blocks and oilfields onshore China. What is of particular significance to the oilfield services market is that these private companies, unlike their national oil company counterparts, do not have their own associated oilfield services divisions. Thus, the collective increase in private upstream oil company activity is expected to have a significant effect on the demand for oilfield services from private sector oilfield services and equipment providers.

Development of small blocks and marginal oilfields:

China's upstream production has historically focused more on the large scale oilfields, such as the Daqing and Shengli fields. However, the PRC government is currently encouraging the development of smaller blocks and marginal oilfields, given the current strong global oil prices and increasing domestic gas prices that have improved the viability of previously uneconomic fields; the improvement in oilfield services technologies available in China that allow the extraction of oil and gas that were previously not achievable; and also the material level of incremental production that could be achieved from these smaller blocks and marginal fields collectively, which could help decrease China's import dependency on crude oil. The development of a large number of such smaller blocks, driven in part by small and medium private upstream oil companies, is expected to drive demand for oilfield services particularly from the private sector oilfield services providers.

Compared to the United States, China's small blocks and marginal fields are relatively under-explored and under-developed, leading to more favourable operating conditions, and contribute a smaller portion of the national total production. This is mainly driven by the United States upstream market, particularly in relation to the onshore segment, being open to a much larger universe of upstream and oilfield services companies. China's upstream segment remains at an early stage of development, particularly in relation to the involvement of small and medium sized private sector companies, and is expected to continue to grow as the upstream market develops in the future, driving further demand for oilfield services.

International demand for China oilfield services:

In addition, given the low-cost competitive position of China's oilfield services and equipment providers, export demand for their services and equipment to other emerging markets is expected to increase in the future. Chinese manufacturers and drilling companies have already begun exporting their rigs, drilling equipment, and drilling and well services to the Middle East, Africa, Latin America, and Central Asia. Chinese oilfield services companies have also followed Chinese exploration and production companies abroad, as has been the case with CNOOC Limited and COSL, and CNPC and its drilling subsidiaries. This trend is likely to continue given existing business relationships, low-cost competitive position of the Chinese oilfield services companies, and constrained supply from the global

INDUSTRY OVERVIEW

oilfield services sector. Further, Chinese oilfield services companies are less exposed to the oil and gas price cycle. For example, in a low oil price environment, upstream oil and gas companies have reduced their appetite for exploration and development expenditures, and thus lowered the demand for the high end and higher cost oilfield services and equipment. Chinese oilfield services companies are therefore well positioned given the lower cost nature of its services and equipment.

Related China Regulation and Policy

Unlike exploration and production activities, the oilfield services and equipment sectors remain relatively unregulated in the PRC, given oilfield services companies do not own or operate the production of mineral resources. The emerging private oilfield services sector is viewed by the government as a competitive catalyst and important source of technology for China to gain greater access to domestic natural resources, especially in the newer west and southwest exploration and production regions. The State Council statement No. 20064, encourages state-owned exploration and production companies to work with and invest with non-government owned oilfield services companies to improve national technology and capabilities for oil and gas exploration and extraction.

Participation of domestic private companies in the traditionally state-owned-enterprise dominated exploration and the production sector is increasingly encouraged. In February 2005, the State Council issued the “Thirty Six Policies” which encouraged investments from private capital in traditionally monopolistic, state-dominated sectors, including petroleum. In November 2006, the National Development and Reform Commission announced the government was in the process of preparing rules regarding the non-government-owned companies investing in the exploration and production sector. Such initiatives are designed to encourage more private capital investment, increase competition in exploration and production process, and encourage more focus on smaller oil and gas field exploration and development. Given their scale and relative inexperience, such new private exploration and production companies will be more dependent on outsourcing oilfield services than the current big three oil companies.

HISTORY AND REORGANIZATION

HISTORY

Our Company was incorporated in the Cayman Islands under the Cayman Companies Law as an exempted company with limited liability on August 3, 2007 to act as our listing vehicle.

Prior to the incorporation of our Company and the completion of the Reorganization, our businesses were conducted by Anton Oil. By 2003, we offered products and services to major oilfields throughout China.

Upon our inception in 2002, oil companies in the PRC were beginning to out-source their oilfield services business to private enterprises. We entered the Tarim Basin market on the basis of such opportunity and commenced the provision of field services and established the foundation of our development. With economic growth in the PRC and the rapid increase in international crude oil prices in recent years, the demand for oilfield services has also escalated. Driven by strong demand, our well services and drilling services experienced rapid growth and we were able to establish a nationwide operation within a few years. The increase in oil prices and the increasing level of difficulties associated with exploration have also resulted in stronger demand from oil companies for more sophisticated oilfield services. Through our own technologies or applying technologies we sourced overseas, we were able to successfully help our customers resolve their problems and have quickly established ourselves as a provider of sophisticated oilfield services in China.

A brief chronology of our history and development is set forth below.

In January 2002, our founder, Luo Lin, established Anton Oil with its headquarters in Beijing. Ma Jian, a former senior manager of Halliburton China, joined us in 2002 as an executive director.

To advance our product and technology leadership, we established our own research and development department in 2003.

In January 2006, Pan Weiguo, a former senior researcher at PetroChina, joined us as an executive director.

In June 2006, Anton Energy became the holding company of Anton Oil. Anton Energy is a limited liability company established in the PRC by Luo Lin for holding his and certain employees' interests in our Group.

In August 2006, our Parent Company acquired the entire issued share capital of Anton Oil from Anton Energy for a consideration of RMB75,630,000 and converted Anton Oil into a wholly foreign-owned enterprise.

In 2006 and 2007, our Parent Company completed two rounds of private equity financing, raising aggregate proceeds of approximately US\$43.5 million (RMB322.6 million). Through these two rounds of financing, Erdos and Chengwei became the beneficial owners of our Parent Company's preferred shares.

In May 2007, we entered into a joint venture agreement with Northern Heavy to form a joint venture to produce drill collars and heavy-weight drill pipes. In October 2007, we entered into an agreement to acquire Hinen-Hitech, a company principally engaged in the manufacturing of sand screens.

HISTORY AND REORGANIZATION

OUR REORGANIZATION

Companies comprising the Group underwent the Reorganization in preparation for the Global Offering. The objective of the Reorganization was to establish us as one of the largest and leading non-government-owned oilfield services companies in China.

Prior to the Reorganization, certain individuals held interests in Anton Oil, Xinjiang Tong'ao, Foyou Tech and Zhongji Hongtong under entrustment arrangements for Luo Lin.

Details of such entrustment arrangements are as follows:

<u>Name of Subsidiary</u>	<u>Name of nominee</u>	<u>Relationship with Luo Lin/ Company</u>	<u>Percentage held</u>	<u>Date of Entrustment Arrangement</u>
Anton Oil	Li Man	Spouse of Luo Lin	Not exceeding 50% as stated in the entrustment agreement (20% actual)	January 28, 2002
Xinjiang Tong'ao	He Zhigang	Employee	10%	February 21, 2002
Foyou Tech	Li Man	Spouse of Luo Lin	2%	December 12, 2002
	Ma Jianmin	Employee	20%	December 12, 2000
Zhongji Hengtong	Wu Dongfang	Employee	30%	August 26, 2002
	Chen Wei	Employee	10%	August 26, 2002

The reason for entering into such entrustment arrangements was that prior to January 1, 2006, according to the then effective PRC company law, limited liability companies established in the PRC must have at least two shareholders. In order to comply with such requirements, Luo Lin entered into entrustment agreements with such individuals pursuant to which they held the relevant equity interest in these subsidiaries for Luo Lin. The rights and liabilities attached to these equity interests were enjoyed and borne by Luo Lin. As advised by our PRC legal advisors, the entrustments were valid and legally binding on the parties. However Luo Lin may not have been able to assert his rights against third parties. Such entrustments were eliminated as part of the Reorganization between late 2005 and mid 2006. As the PRC company law has been amended to permit limited liability companies to have only one shareholder, we do not have any entrustment arrangements in place to hold shares of our PRC subsidiaries.

Reorganization of domestic companies

Anton Oil

Anton Oil was established in 2002 by Luo Lin and Li Man (who held the interest in Anton Oil for Luo Lin) and held by them as to 80% and 20% respectively. In 2003, after an increase in the registered capital by Foyou Tech, Luo Lin and Li Man, Anton Oil was held as to 60% by Foyou Tech, 32% by Luo Lin and 8% by Li Man.

HISTORY AND REORGANIZATION

Before 2005, as part of the incentive and remuneration package for the senior management of the Group and in recognition of their contribution to the development of the Group, between 2002 and 2004, Luo Lin, founder of the Group, decided to transfer to Ma Jian, He Zhigang and 18 management staff a certain portion of his shareholding in Anton Oil at nil consideration. Under the agreements entered into by each of Ma Jian, He Zhigang and the 18 management staff with Luo Lin, in case of reorganization, Ma Jian, He Zhigang and the management staff will be entitled to the same shareholding interest in the relevant company (collectively, the “Anton Oil Agreements”). In 2005, Luo Lin and Li Man transferred their entire shareholding in Anton Oil to Anton Energy such that Anton Oil was held as to 60% by Foyou Tech and as to 40% by Anton Energy.

On December 1, 2005, Foyou Tech transferred a 55% interest in Anton Oil to Anton Energy for RMB5,500,000 and a 5% interest in Anton Oil to Li Man for RMB500,000. At the time of transfer, Anton Energy increased the registered capital of Anton Oil from RMB10,000,000 to RMB50,000,000 by contributing non-patented proprietary technology valued at RMB40,000,000. After the transfers and the capital increase, Anton Oil was held as to 99% by Anton Energy and as to 1% by Li Man (who held the interest for Luo Lin). Anton Energy was held as to 70% by Luo Lin, as to 15% by Ma Jian and as to 15% by He Zhigang. On June 30, 2006, Li Man transferred her 1% interest in Anton Oil to Anton Energy for RMB500,000. After the transfer, Anton Oil was owned as to 100% by Anton Energy. Under the Anton Oil Agreements, Ma Jian, He Zhigang and the 18 management staff were entitled to the same shareholding interest in Anton Energy as in Anton Oil.

As part of the incentive and remuneration package for the senior management of the Group, in 2006, Luo Lin decided to transfer to four management staff members a certain portion of his shareholding in Anton Energy at a consideration based on the appraised value of Anton Energy payable within two years from the date of the agreement. As at the Latest Practicable Date, such consideration has not been settled between Luo Lin and the four management staff members. Under the agreements entered into by each of the four management staff members with Luo Lin, in case of reorganization, the four management staff members will be entitled to the same shareholding interest in the relevant company (collectively, the “Anton Energy Agreements”)

The four management staff together with the above mentioned 18 management staff are defined as “Employees.”

The names of the Employees are as follows:

- 1) Ma Jianmin (馬建民)
- 2) Wang Yunmei (王運美)
- 3) Wang Yong (王勇)
- 4) Pi Zhifeng (皮至峰)
- 5) Xu Wenzong (許文宗)
- 6) Tang Shenghe (湯勝河)
- 7) Cen Guangyuan (岑廣遠)
- 8) Li Bingnan (李冰南)

HISTORY AND REORGANIZATION

- 9) Shen Haihong (沈海洪)
- 10) Xiao Kun (肖昆)
- 11) Yang Junzheng (楊軍政)
- 12) Yang Bin (楊斌)
- 13) Zhang Gengjuan (張庚娟)
- 14) Chen Yun (陳雲)
- 15) Chen Wei (陳偉)
- 16) Fan Yonghong (范永洪)
- 17) Wu Xiuming (武修明)
- 18) Yan Wenrong (晏文榮)
- 19) Guo Zhengqing (郭正清)
- 20) Xu Hongjian (徐宏劍)
- 21) Han Yanping (韓燕平)
- 22) Pan Weiguo (潘衛國)

The highest personal shareholding in our Company among the Employees is approximately 1.90% prior to the Global Offering and approximately 1.42% immediately upon completion of the Global Offering.

However, in order to reduce the administrative burden of having to revise the articles of association and registered particulars with the Administration of Industry and Commerce for every transfer of shareholding, the Employees entrusted Luo Lin, Ma Jian and He Zhigang (collectively referred to as the “Trustees”), to hold their interests on their behalf. The Employees and Ma Jian and He Zhigang also granted an irrevocable authority to Luo Lin to administer their interests, including the exercise of their respective shareholder’s rights.

Under the aforesaid entrustment arrangement, the Trustees held beneficial interests representing approximately 24.05% in Anton Energy for the Employees (the “Anton Energy Entrustment Arrangement”). As advised by our PRC legal advisors, the entrustment arrangements between the Employees and the Trustees were valid and legally binding between the parties but the Employees may not have been able to assert their rights against third parties. Such entrustments will be eliminated as part of the Reorganisation.

Anton Tong’ao

Anton Tong’ao was incorporated on December 15, 2005 and was held as to 99% by Anton Energy and as to 1% by Xinjiang Tong’ao, our wholly owned subsidiary. On June 10, 2006, Anton Energy and Xinjiang Tong’ao transferred their 99% and 1% interests in Anton Tong’ao to Anton Oil on the basis of the registered capital held for RMB60,000,000. After the transfers, Anton Tong’ao was held as to 100% by Anton Oil.

HISTORY AND REORGANIZATION

Xinjiang Tong'ao

Xinjiang Tong'ao was held as to 9.72% by Luo Lin, as to 1.08% by He Zhigang (who held such interest for Luo Lin), as to 43.20% by Anton Oil and as to 46.00% by Anton Energy prior to the Reorganization. On December 16, 2005, Luo Lin, He Zhigang and Anton Energy transferred 9.72%, 1.08% and 45% interests in Xinjiang Tong'ao to Anton Oil on the basis of the registered capital held for RMB4,860,000, RMB540,000 and RMB22,500,000 respectively. After the transfers, Xinjiang Tong'ao was held as to 99% by Anton Oil and as to 1% by Anton Energy. On June 10, 2006, Anton Energy transferred its 1% interest in Xinjiang Tong'ao to Anton Oil for RMB500,000. After the transfer, Xinjiang Tong'ao was held as to 100% by Anton Oil. On August 20, 2006, Anton Energy contributed RMB1,000,000 and increased the registered capital of Xinjiang Tong'ao from RMB50,000,000 to RMB51,000,000. After the capital increase, Xinjiang Tong'ao was held as to 98.04% by Anton Oil and as to 1.96% by Anton Energy. On September 3, 2006, Anton Energy transferred its 1.96% interest in Xinjiang Tong'ao to Anton Oil. After the transfer, Xinjiang Tong'ao was held as to 100% by Anton Oil.

Foyou Tech

Prior to the Reorganization Foyou Tech was held as to 98% by Anton Energy and as to 2% by Li Man (who held the interest for Luo Lin). On December 6, 2005, Anton Energy and Li Man respectively transferred 97% and 2% interests in Foyou Tech to Anton Oil on the basis of the registered capital held for RMB4,947,000 and RMB102,000, respectively. On July 30, 2006, Anton Energy transferred its 1% interest in Foyou Tech to Anton Oil for RMB51,000. Upon completion of the transfers, Foyou Tech was held as to 100% by Anton Oil.

Xiguan Antong

Xiguan Antong was established on September 17, 2002 and at the time of its establishment, it was held as to 45% by 西安三環科技開發總公司 (Xi'an Three Ring Technological Development Corporation), as to 35% by Anton Oil, as to 10% by Luo Lin and as to 10% by Meng Zhiying. Xiguan Antong was not accounted for as our subsidiary at that time. On April 1, 2005, we acquired the interest of Xi'an Three Ring Technological Development Corporation at a consideration of RMB225,000, which is equal to the original investment cost paid by such shareholder, as such shareholder intended to withdraw from Xiguan Antong. After completion of the acquisition, Xiguan Antong was accounted for as a non wholly owned subsidiary of the Group.

Xiguan Antong was held as to 51% by Anton Oil, as to 10% by Meng Zhiying, an independent third party, and as to 39% by Wang Shihong, an independent third party, prior to the Reorganization. On December 20, 2005, Meng Zhiying transferred his 10% interest in Xiguan Antong to Wang Shihong for RMB50,000. At the time of the transfer, Anton Oil increased the registered capital of Xiguan Antong to RMB10,000,000 by contributing non-patented proprietary technology valued at RMB9,500,000. After the transfer and the capital increase, Xiguan Antong was held as to 97.55% by Anton Oil and as to 2.45% by Wang Shihong. On April 30, 2006, Anton Oil transferred a 46.55% interest in Xiguan Antong to Wang Shihong on the basis of the registered capital held for RMB4,655,000. After the transfer, Xiguan Antong was held as to 51% by Anton Oil and as to 49% by Wang Shihong.

HISTORY AND REORGANIZATION

Anton Fenglei

Anton Fenglei was held as to 80% by Anton Oil and as to 20% by Foyou Tech, our wholly owned subsidiary, prior to the Reorganization. On July 30, 2006, Foyou Tech transferred its 20% in Anton Fenglei to Anton Oil on the basis of the registered capital held for RMB200,000. After the transfer, Anton Fenglei was held as to 100% by Anton Oil. On September 6, 2006, Anton Energy contributed RMB100,000 and increased the registered capital of Anton Fenglei from RMB1,000,000 to RMB1,100,000. After the capital increase, Anton Fenglei was held as to 90.91% by Anton Oil and as to 9.09% by Anton Energy. On September 11, 2006, Anton Energy transferred its 9.09% interest in Anton Fenglei to Anton Oil. After the transfer, Anton Fenglei was held as to 100% by Anton Oil.

Tongsheng Well

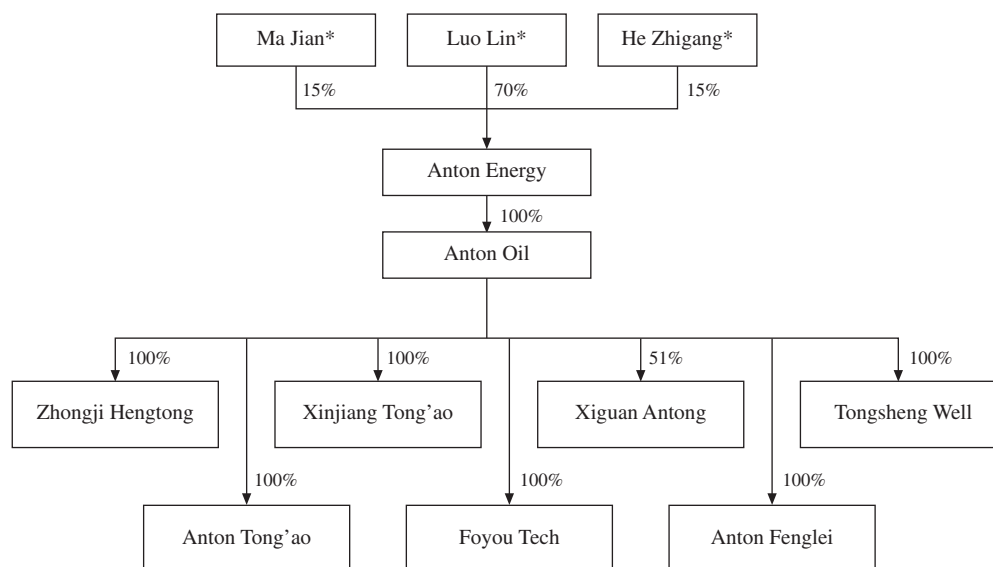
Tongsheng Well was held as to 77.5% by Anton Oil and as to 22.5% by Fan Yonghong, an independent third party, prior to the Reorganization. On July 30, 2006, Fan Yonghong transferred his 22.5% in Tongsheng Well to Anton Oil. After the transfer, Tongsheng Well was held as to 100% by Anton Oil. On September 2, 2006, Anton Energy contributed RMB1,000,000 and increased the registered capital of Tongsheng Well from RMB10,000,000 to RMB11,000,000. After the capital increase, Tongsheng Well was held as to 90.91% by Anton Oil and as to 9.09% by Anton Energy. On September 3, 2006, Anton Energy transferred its 9.09% interest in Tongsheng Well to Anton Oil. After the transfer, Tongsheng Well was owned as to 100% by Anton Oil.

Zhongji Hengtong

Zhongji Hengtong was held as to 60% by Anton Oil and as to 40% by Anton Energy prior to the Reorganization. On July 30, 2006, Anton Energy transferred its 40% interest in Zhongji Hengtong to Anton Oil on the basis of the registered capital held for RMB200,000. After the transfer, Zhongji Hengtong was held as to 100% by Anton Oil.

HISTORY AND REORGANIZATION

Our structure after completion of the reorganization of the domestic companies was as follows:



*: Luo Lin, Ma Jian and He Zhigang were the registered shareholders of Anton Energy. Each of Luo Lin, Ma Jian and He Zhigang was holding 67.45%, 5.13% and 3.37% in Anton Energy respectively, Luo Lin, Ma Jian and He Zhigang were holding interests accounting for approximately 24.05% in Anton Energy for the Employees. Prior to the Listing, Ma Jian, He Zhigang and the Employees can only dispose of no more than 20% of their shareholding interest to Luo Lin, and such restriction on the disposal of shares will be removed after the Listing. Ma Jian, He Zhigang and the Employees have also agreed to vest their respective voting right attached to the shares in Anton Energy to Luo Lin prior to and until a year after the Listing.

Incorporation of holding companies for Luo Lin's interests and the interests of the employees

Pro Development Holding Corp., a BVI company, was set up to act as the holding company for the interests of Luo Lin and certain other employees in our Company. The authorized share capital of Pro Development is US\$100 (RMB741.6) divided into 100 shares of US\$1.00 (RMB7.42) each. The share capital of Pro Development is held as to 100 shares by Luo Lin.

Anton Management Development Corp., a BVI company, was set up to act as the holding company for the interests of Ma Jian, He Zhigang and certain employees of our Company. The authorized share capital of Anton Management is US\$100 (RMB741.6) divided into 100 shares of US\$1.00 (RMB7.42) each. The share capital of Anton Management is held as to 50 shares by Ma Jian and as to 50 shares by He Zhigang on behalf of certain employees of the Group.

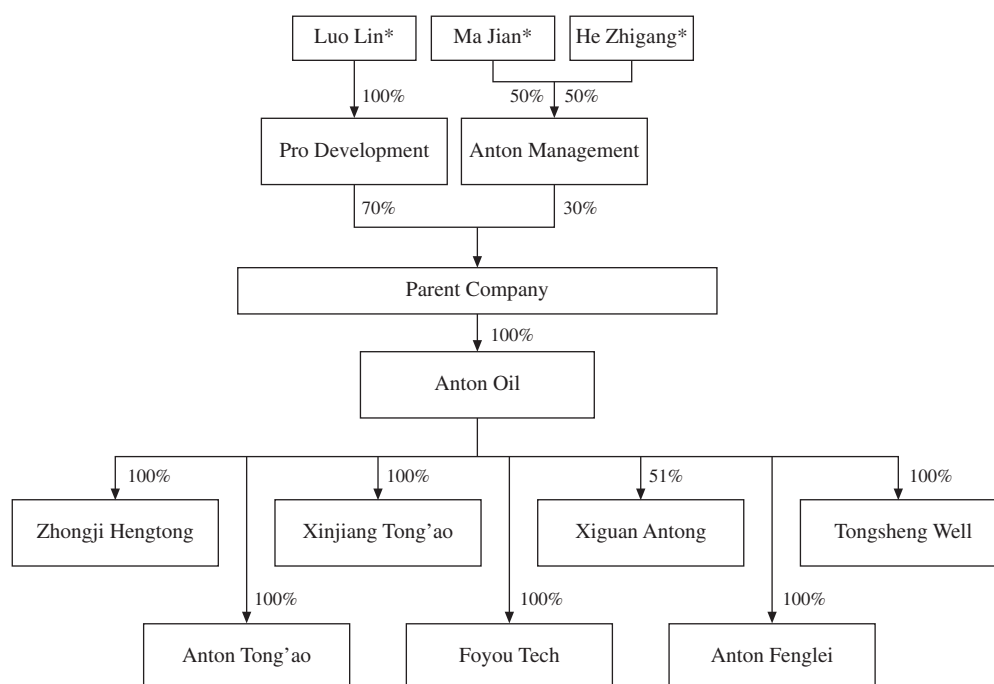
Incorporation of Parent Company

Parent Company was incorporated in the Cayman Islands on July 10, 2006 to act as our holding company. The initial authorized share capital of Parent Company was US\$50,000 (RMB370,800) divided into 50,000 shares of US\$1.00 (RMB7.42) each. Upon incorporation, the share capital of Parent Company was held as to 35,000 shares by Pro Development and as to 15,000 shares by Anton Management, representing 70% and 30% of the issued share capital of Parent Company respectively.

HISTORY AND REORGANIZATION

Acquisition of Anton Oil by Parent Company

On August 7, 2006, Parent Company acquired the entire issued share capital of Anton Oil from Anton Energy for a consideration of RMB75,630,000 and converted Anton Oil into a wholly foreign-owned enterprise. The transfer was approved by the Commerce Bureau of Chaoyang District of Beijing on August 11, 2006. On December 18, 2006, the registered capital of Anton Oil was increased from RMB50,000,000 to US\$17,600,000 (RMB130,521,600). As advised by the legal advisors to the Company as to PRC Law, all necessary approvals from the relevant PRC authorities for the transfer and the capital increase have been obtained and Anton Oil is validly existing under the laws of the PRC and may conduct business in accordance with the terms of its business license. Pursuant to the Anton Oil Agreements and Anton Energy Agreements, Luo Lin (through Pro Development) and Ma Jian and He Zhigang (through Anton Management) together held approximately 24.05% in the Parent Company for the Employees (the “Pro/Anton Entrustment Arrangement”). After the completion of the acquisition of Anton Oil by Parent Company, our shareholding structure was as follows:



*: Luo Lin, Ma Jian and He Zhigang were the registered shareholders of Pro Development and Anton Management (as the case may be). Each of Luo Lin, Ma Jian and He Zhigang was holding 67.45%, 5.13% and 3.37% in the Parent Company respectively. Luo Lin, Ma Jian and He Zhigang were holding interests effectively accounting for approximately 24.05% in the Parent Company for the Employees. Prior to the Listing, Ma Jian, He Zhigang and the Employees can only dispose of no more than 20% of their shareholding interest to Luo Lin, such restriction on the disposal of shares will be removed after the Listing. Ma Jian, He Zhigang and the Employees have also agreed to vest their respective voting right attached to the shares in the Parent Company to Luo Lin prior to and until a year after the Listing.

HISTORY AND REORGANIZATION

Incorporation of new subsidiaries

Anton New Materials

Anton New Materials was incorporated on September 29, 2006 and was held as to 100% by Foyou Tech. Anton New Materials is principally engaged in the development of new materials and products and the development of oilfield technical products. Its facility is currently being built and is expected to be completed in end November 2007.

Xinjiang Foyou

Xinjiang Foyou was incorporated on December 21, 2006 and was held as to 70% by Anton Tong'ao and as to 30% by Foyou Tech. Xinjiang Foyou is principally engaged in the provision of oilfield engineering services.

Anton Energy Services Corp.

Anton Energy Services Corp. was incorporated in Canada on August 14, 2007 and is owned as to 100% by our Company. Anton Energy Services Corp. is not an operating subsidiary.

Pre-IPO Investment

Series A Financing

On August 11, 2006, Parent Company, Erdos, Chengwei, Anton Oil, Pro Development, Anton Management and Luo Lin entered into a subscription agreement, pursuant to which Erdos and Chengwei agreed to subscribe for 18,000,000 and 7,000,000 series A preferred shares ("Series A Shares") respectively of Parent Company for an aggregate subscription price of US\$25,000,000 (RMB185,400,000), which was paid by the investors on August 17, 2006, August 18, 2006 and September 15, 2006. The subscription price for the Series A Shares represents a discount of approximately 75.3% to the mid point of stated price range of Offering Price per share. The Series A Shares carry senior rights on dividends and distributions over the ordinary shares of Parent Company and may be converted into ordinary shares of Parent Company. Pursuant to the Series A Financing, each of the ordinary shares of US\$1.00 (RMB7.42) each in the capital of Parent Company was sub-divided into 1,000 shares of US\$0.001 (RMB0.0074) each. The authorized share capital of Parent Company was increased to US\$375,000 (RMB2,781,000) divided into 125,000,000 ordinary shares of US\$0.001 (RMB0.0074) each and 25,000,000 Series A Shares of US\$0.01 (RMB0.0742) each. Upon completion of the Series A Financing, the issued share capital of Parent Company was held as to 51.36% by Pro Development, as to 22.01% by Anton Management, as to 19.17% by Erdos and as to 7.46% by Chengwei.

The proceeds from the Series A Financing were used for the construction of and purchase of equipment for the Huairou manufacturing facility, the construction of and purchase of equipment for a 25-inch diameter casing manufacturing plant and as general working capital of the Company.

Series B Financing

On June 14, 2007, Parent Company, Erdos, Chengwei, Anton Oil, Pro Development, Anton Management and Luo Lin entered into a subscription agreement, pursuant to which Erdos and Chengwei agreed to subscribe 7,000,000 and 2,250,000 series B preferred shares ("Series B Shares," together with the Series A Shares, the "Preference Shares") respectively of Parent Company for an aggregate subscription price

HISTORY AND REORGANIZATION

of US\$18,500,000 (RMB137,196,000), which was paid by the investors on June 20, 2007. The subscription price for the Series B Shares represents a discount of approximately 54.1% to the mid point of stated price range of Offer Price per share. The Preference Shares carry senior rights on dividends and distributions over the ordinary shares of Parent Company and may be converted into ordinary shares of Parent Company. Pursuant to the Series B Financing, Pro Development transferred 526,316 ordinary shares in the Parent Company to Chengwei. The authorized share capital of Parent Company was also increased to US\$467,500 (RMB3,466,980) divided into 125,000,000 ordinary shares of US\$0.001 (RMB0.0074) each, 25,000,000 Series A Shares of US\$0.01 (RMB0.0742) each, and 9,250,000 Series B Shares of US\$0.01 (RMB0.0742) each. Upon completion of the Series B Financing, the issued share capital of Parent Company was held as to 46.25% by Pro Development, as to 20.04% by Anton Management, as to 24.23% by Erdos and as to 9.48% by Chengwei.

We intend to use the proceeds from the Series B Financing for the purchase of equipment for the Huairou manufacturing facility and as general working capital of the Company.

Shareholders' Agreement

The two financings were entered into separately and were not part of a single financing. We believe that Erdos and Chengwei were willing to provide the Series B Financing on the basis of their long-term cooperative relationship with the Parent Company, which commenced in August 2006 and is expected to continue after the Listing.

Pursuant to the Series A and Series B Financings, Luo Lin, Pro Development, Anton Management and Erdos and Chengwei entered into a shareholders' agreement on August 15, 2006 which was subsequently suspended and replaced by an amended and restated shareholders' agreement dated June 18, 2007 to govern the management and operation of the Parent Company, under which certain corporate actions of the Parent Company, including, among others, amendments to the articles of association, any merger or acquisition, consolidation, scheme of arrangement, recapitalization of the share capital in the Parent Company or any of its subsidiaries, sale of assets with a value exceeding RMB20 million, any capital injection or establishment of joint venture or subsidiary, entering into related party transaction or adoption or amendment to the business plan or annual budget of the Parent Company would require the prior approval of a majority of the Series A Shares holders, i.e., Erdos and Chengwei, and the Series A Shares holders have right to designate two directors to the board of directors of the Parent Company. As at the Latest Practicable Date, the Series A Shares holders had not exercised their veto rights under the shareholders' agreement. As at the Latest Practicable Date, two directors of the Parent Company were nominees of Erdos and Chengwei. None of our Directors is a nominee of Erdos or Chengwei.

Any amendments to the articles of association that affect the rights of the Series B Shares holders must have the prior approval of at least 67% of the Series B Shares holders.

The shareholders' agreement shall terminate as to a shareholder upon the redemption or transfer of all shares legally held or as to all shareholders, upon the consummation of a listing of the shares in a qualified securities exchange.

Erdos, a company incorporated in the British Virgin Islands, is a member of Credit Suisse's sponsor group as defined in the Listing Rules, is 97.83% owned by China Harvest Fund, L.P. and 2.17% owned by China Harvest Parallel Fund I, L.P., both of which are private equity investment funds that focus on

HISTORY AND REORGANIZATION

investments in operating companies in the PRC. Save for Erdos' interest in the Parent Company and the Company as described in “— Our Reorganization”, and its relationship with Credit Suisse, one of the Joint Sponsors, each of Erdos, its shareholders, directors and senior management members is an independent third party and not a connected person of the Company.

Chengwei Ventures is a private equity investment firm which focuses on investments in China. It is a pre-IPO investor and shareholder of two companies listed in Hong Kong in the past three years: Sunny Optical Technology (Group) Company Limited (Stock Code: 2382) and AAC Acoustic Technologies Holdings Inc. (Stock Code: 2018). Save for Chengwei's interest in the Parent Company and the Company as described in “— Our Reorganization”, each of Chengwei, its shareholders, directors and senior management members is an independent third party and not a connected person of the Company.

We believe that the introduction of Erdos and Chengwei as investors provides us with additional funds, validates the quality of our business and improves our corporate governance through the more stringent reporting requirements of the investors. In addition, we believe that the partnership with Erdos and Chengwei will enhance our name recognition, and create prospects for new business opportunities.

The average price paid by Erdos for the Series A Shares and the Series B Shares (the “Erdos Subscription Price”) represents a discount of approximately 68.38% to the mid point of the stated price range of the Offer Price, and the average price paid by Chengwei for Series A Shares, the Series B Shares and the ordinary shares of Parent Company (the “Chengwei Subscription Price”) represents a discount of approximately 69.29% to the mid point of the stated price range of Offer Price, on the basis of the enlarged share capital of the Company upon completion of the Capitalization Issue and the Global Offering (assuming that the Over-allotment Option and the Pre-IPO Share Option are not exercised). Both the Erdos Subscription Price and Chengwei Subscription Price were determined after arm's length negotiations between the parties and were not determined at a fixed discount to the proposed Offer Price. The discount to the Offer Price is attributable to the fact that at the time of the Series A Financing and the Series B Financing, our business and financial conditions, and hence the investment considerations of Erdos and Chengwei, are different from those of the potential investors under the Global Offering.

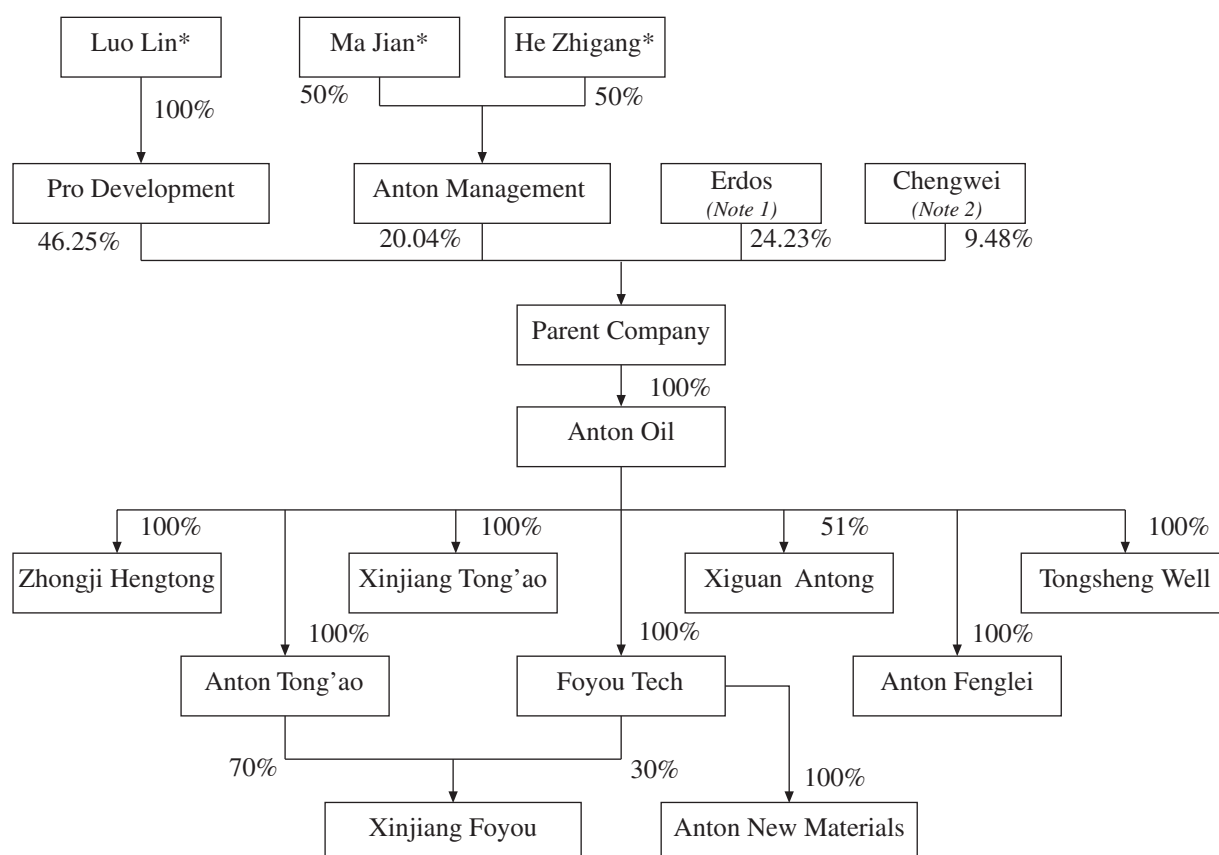
At the time of the Series A Financing and the Series B Financing, the parties expected that the Parent Company would conduct an initial public offering of its shares on the Stock Exchange or another internationally recognized stock exchange of similar reputation. It was provided in the amended and restated memorandum and articles of association of the Parent Company and its subsequent amendments that Series A Shares and Series B Shares are convertible at any time at the option of the holder into shares of Parent Company and shall also be automatically converted to shares of Parent Company upon closing of a qualified initial public offering, which is an offering of the shares of the Parent Company on the Main Board of the Stock Exchange or another recognized securities exchange where the market capitalization of the Parent Company after completion of such offering would be at least US\$350 million (RMB2,595.6 million), with at least 25% of the shares of the Parent Company being offered to the public. The Company will meet the abovementioned market capitalization criteria after completion of the Global Offering.

As a result of the restructuring, the Parent Company will not be the listing vehicle. Instead, our Company was set up to be the listing vehicle so as to ensure that the listed company has a clearer and less complicated shareholding structure. Consequently, in line with the original expectation of the parties, appropriate arrangements were made for Erdos and Chengwei to exchange their interests in the Parent Company for an equivalent percentage of ownership in the Company immediately prior to the commencement of the dealing of the Shares on the Stock Exchange on the Listing Date.

HISTORY AND REORGANIZATION

Pursuant to our arrangements with Erdos and Chengwei, the Series A Shares and Series B Shares, and the 526,316 ordinary shares held by Chengwei in the Parent Company will be exchanged for ordinary shares of our Company (“Conversion Shares”) on a one-for-one basis immediately prior to the dealing of the Shares first commence on the Stock Exchange. All senior rights on dividends and distribution attached to the Series A Shares and Series B Shares as well as those rights detailed above will be terminated upon the share swap.

After the completion of the Series A and Series B financing, the 24.05% interests held by Luo Lin, Ma Jian and He Zhigang for the Employees were diluted to 16.07%. The shareholding structure of the Group after completion of the Series A and Series B financing was as follows:



* Luo Lin, Ma Jian and He Zhigang were the registered shareholders of Pro Development and Anton Management (as the case may be). Each of Luo Lin, Ma Jian and He Zhigang was holding 44.54%, 3.43% and 2.25% in the Parent Company respectively. Luo Lin, Ma Jian and He Zhigang were holding interests effectively accounting for approximately 1.71%, 6.59% and 7.77% respectively, which amount to 16.07% in aggregate, in the Parent Company for the Employees. Prior to the Listing, Ma Jian, He Zhigang and the Employees can only dispose of no more than 20% of their shareholding interest to Luo Lin, which restriction on the disposal of shares will be removed after the Listing. Ma Jian, He Zhigang and the Employees have also agreed to vest their respective voting right attached to the shares in the Parent Company to Luo Lin prior to and until a year after the Listing.

Notes:

- (1) Erdos holds its interests in the Parent Company in the form of preference shares.
- (2) Chengwei holds its interests in the Parent Company in the form of ordinary shares and preference shares.

HISTORY AND REORGANIZATION

Incorporation of our Company

Our Company was incorporated in the Cayman Islands on August 3, 2007 to act as the listing vehicle for the Group. The initial authorised share capital of our Company was HK\$100,000 (RMB95,260) divided into 1,000,000 Shares of HK\$0.10 (RMB0.0953) each. Upon incorporation, one Share was allotted and held by Parent Company.

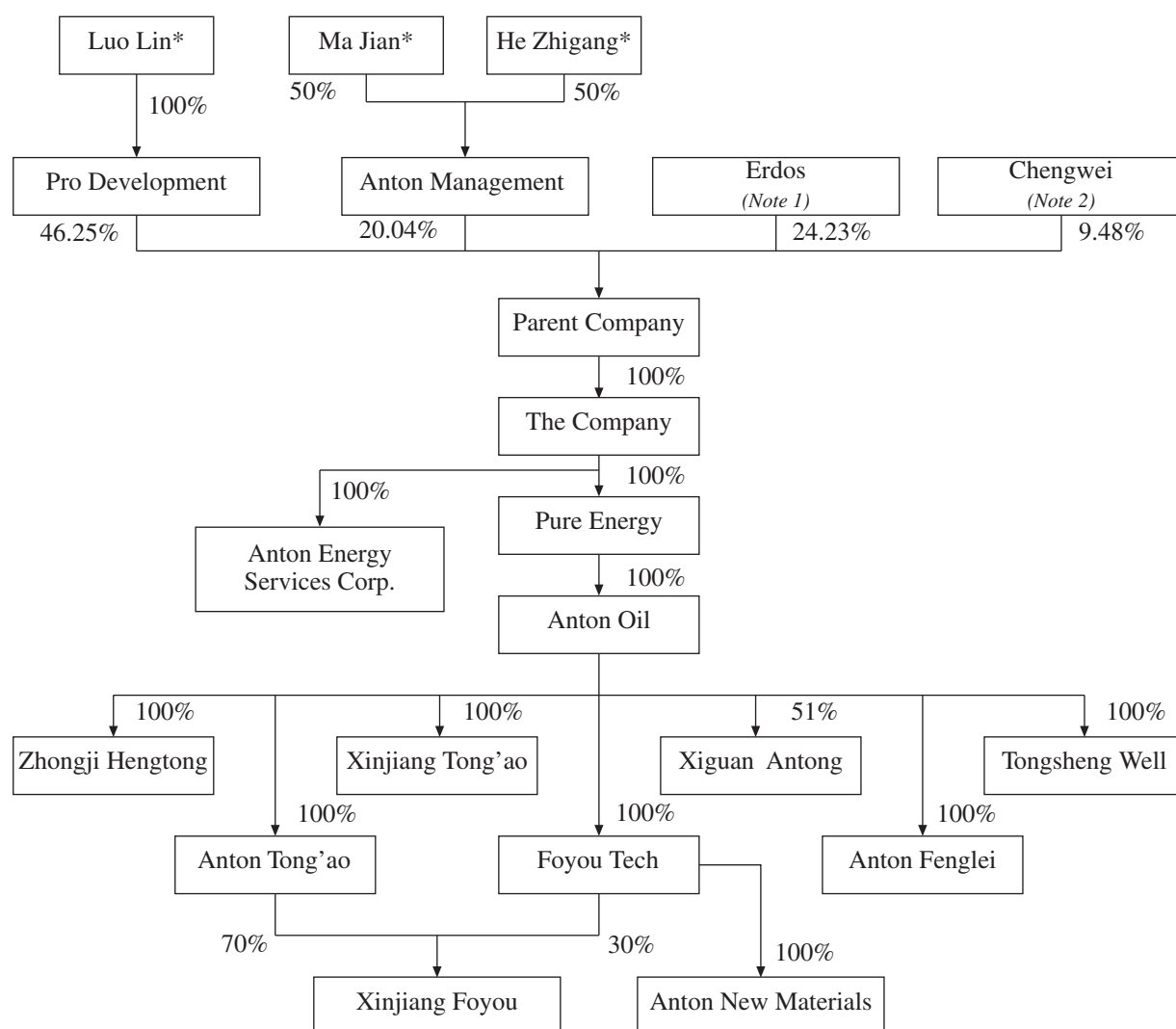
Incorporation of Pure Energy

Pure Energy was incorporated in Hong Kong on August 17, 2007 to act as the intermediate holding company of the interests of the Group. Upon incorporation, one share was allotted and held by our Company.

HISTORY AND REORGANIZATION

Share swap between Pure Energy, our Company and the Parent Company

On September 28, 2007, we entered into a sale and purchase agreement with the Parent Company, pursuant to which the Parent Company transferred to us (the “First Transfer”) its 100% interest in Anton Oil, in consideration of which we issued and allotted 999,999 Shares to the Parent Company and credited the one nil-paid Share in our Company held by Parent Company as fully paid. Immediately after completion of the First Transfer, we transferred our 100% interest in Anton Oil to Pure Energy in consideration of Pure Energy’s allotment and issue of 99 shares to us (the “Second Transfer”). Upon completion of the First Transfer and the Second Transfer, Anton Oil was wholly owned by Pure Energy. Our structure after completion of the First Transfer and the Second Transfer was as follows:



* Luo Lin, Ma Jian and He Zhigang were the registered shareholders of Pro Development and Anton Management (as the case may be). Each of Luo Lin, Ma Jian and He Zhigang was holding 44.54%, 3.43% and 2.25% in the Parent Company respectively. Luo Lin, Ma Jian and He Zhigang were holding interests effectively accounting for approximately 1.71%, 6.59% and 7.77% respectively, which amount to 16.07% in aggregate, in the Parent Company for the Employees. Prior to the Listing, Ma Jian, He Zhigang and the Employees can only dispose of no more than 20% of their shareholding interest to Luo Lin, such restriction on the disposal of shares will be removed after the Listing. Ma Jian, He Zhigang and the Employees have also agreed to vest their respective voting right attached to the shares in the Parent Company to Luo Lin prior to and until a year after the Listing.

HISTORY AND REORGANIZATION

Notes:

- (1) Erdos holds its interests in the Parent Company in the form of preference shares.
- (2) Chengwei holds its interests in the Parent Company in the form of ordinary shares and preference shares.

Reorganization of Luo Lin's and the employees' interests in our Company

In order to rationalize their interests in our Company, Luo Lin, Ma Jian and He Zhigang and the 22 employees set up trusts to hold their interests.

Pursuant to the reorganization, Luo Lin transferred the 1.71% interest he held on behalf of certain employees in the Parent Company to Forever Mark Group Limited, a company established by the trust of the 22 employees, and each of Ma Jian and He Zhigang also transferred 6.59% and 7.77% interests they held on behalf of certain employees to Forever Mark Group Limited. After such transfers, Luo Lin, Ma Jian and He Zhigang no longer hold any interest in the Company, whether directly or indirectly, on behalf of any employee of the Company.

On November 16, 2007, Luo Lin established the Loles Trust as an irrevocable discretionary trust under Singapore law to hold his interest in the Company. Pursuant to such reorganization, Luo Lin transferred his interest in Pro Development to Avalon Assets Limited, a company established by the Loles Trust. Luo Lin is the settlor and Luo Lin and his family members are the beneficiaries of the Loles Trust. Credit Suisse Trust Limited is the trustee of the Loles Trust.

To reflect the correct shareholding of Ma Jian and He Zhigang in our Company after their transfers of the entrusted interests back to the employees, Ma Jian and He Zhigang subscribed for an additional 554 shares and 346 shares in Anton Management, at par. After such subscriptions, the shareholding of Anton Management was held as to 60.4% by Ma Jian and as to 39.6% by He Zhigang. On November 16, 2007, Ma Jian established the Brewster Trust as an irrevocable discretionary trust under Singapore law to hold his interest in the Company. Pursuant to such reorganization, Ma Jian transferred his interest in Anton Management to Brewster Holdings Limited, a company established by the Brewster Trust. Ma Jian is the settlor and Ma Jian and his family members are the beneficiaries of the Brewster Trust. Credit Suisse Trust Limited is the trustee of the Brewster Trust.

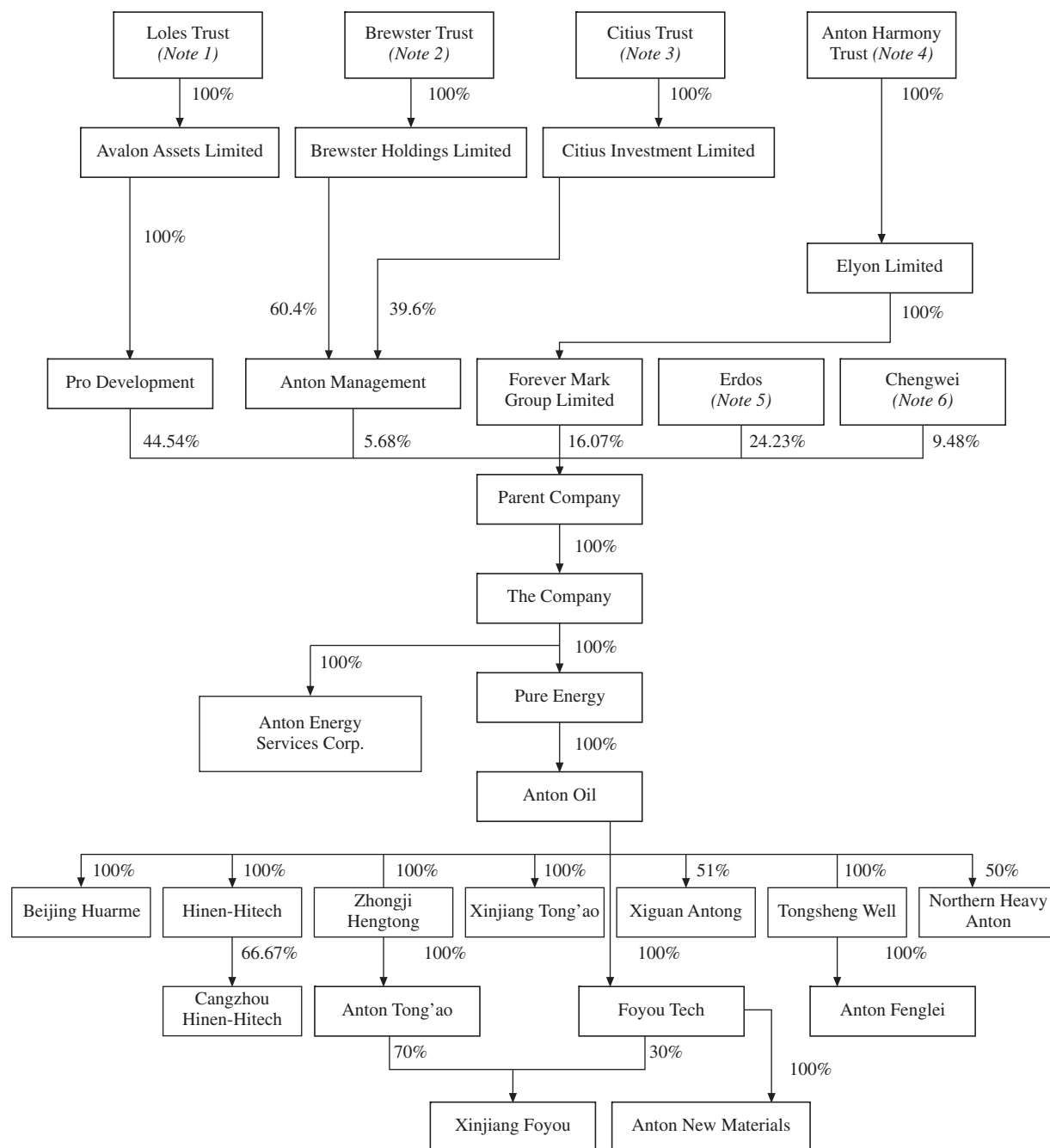
On November 16, 2007, He Zhigang established the Citius Trust as an irrevocable discretionary trust under Singapore law to hold his interest in the Company. Pursuant to such reorganization, He Zhigang transferred his interest in Anton Management to Citius Investments Limited, a company established by the Citius Trust. He Zhigang is the settlor and He Zhigang and his family members are the beneficiaries of the Citius Trust. Credit Suisse Trust Limited is the trustee of the Citius Trust.

On November 16, 2007, the 22 employees of the Group established the Anton Harmony Trust as a fixed trust under Singapore law to hold their interests in the Company. Pursuant to such reorganization, Forever Mark Group Limited was established under the Anton Harmony Trust to hold the interests of the employees in the Parent Company. Credit Suisse Trust Limited is the trustee of the Anton Harmony Trust.

Each of the Loles Trust, the Brewster Trust, the Citius Trust and the Anton Harmony Trust was established under Singaporean law because Singapore has an established body of trust law and Credit Suisse Trust Limited, the trustee for the four trusts, is based in Singapore.

HISTORY AND REORGANIZATION

The shareholding structure of the Group after the reorganization of Luo Lin's and the employees' interests is as follows:



Notes:

- (1) Loles Trust is a discretionary trust established by Luo Lin.
- (2) Brewster Trust is a discretionary trust established by Ma Jian.
- (3) Citius Trust is a discretionary trust established by He Zhigang.
- (4) Anton Harmony Trust is a fixed trust established by 22 employees of the Group.
- (5) Erdos holds its interests in the Parent Company in the form of preference shares.
- (6) Chengwei holds its interests in the Parent Company in the form of ordinary shares and preference shares.

HISTORY AND REORGANIZATION

Capitalization Issue

Conditional on the share premium account of our Company being credited as a result of the Global Offering, the Directors of our Company are authorized to capitalize the amount of HK\$154,625,000 from such account and applying such sum in paying up in full at par a total of 1,546,250,000 Shares for allotment and issue to the shareholders of the Company on the register of members of the Company at 7:00 a.m. (Hong Kong time) on the Listing Date.

Exchange of Series A Shares and Series B Shares

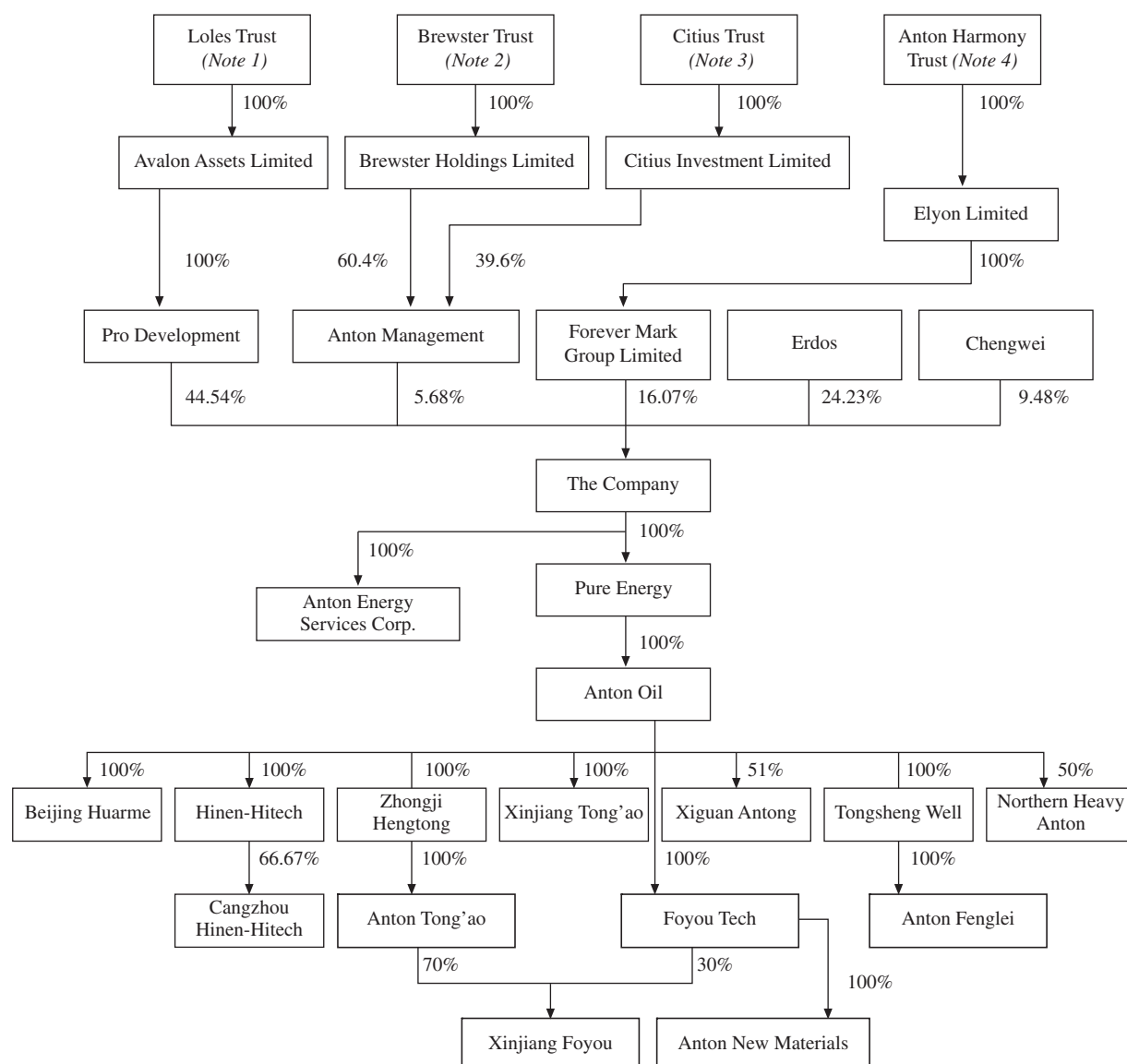
Immediately prior to the Listing, the Parent Company will repurchase the shares held by each of Anton Management and Forever Mark Group Limited and in consideration will transfer 5.68% and 16.07% of the Shares it holds in our Company to Anton Management and Forever Mark Group Limited, respectively.

Immediately prior to the time at which dealings in the Shares first commence on the Stock Exchange, Erdos, which holds 18,000,000 Series A Shares and 7,000,000 Series B Shares, and Chengwei, which holds 526,316 ordinary shares in the Parent Company, 7,000,000 Series A Shares and 2,250,000 Series B Shares will each exchange their respective Series A Shares and Series B Shares and the 526,316 ordinary shares of the Parent Company held by Chengwei for ordinary shares of our Company, that is, the Parent Company will repurchase/redeem the Series A and Series B Shares and the 526,316 ordinary shares of the Parent Company held by Chengwei, and as consideration, transfer 24.23% of the Shares and 9.48% of the Shares that it holds in our Company to Erdos and Chengwei, respectively.

Immediately after completion of the two repurchases described above, the Parent Company will transfer all its interest in our Company, representing approximately 44.54% of our issued share capital to Pro Development in consideration of which Pro Development will issue 100 shares credited as fully paid in its share capital to Luo Lin, as directed by the Parent Company. After such transfer, the Parent Company will no longer hold any Shares and will be dissolved in due course.

HISTORY AND REORGANIZATION

The structure of our Group after the completion of the share exchanges is as follows:

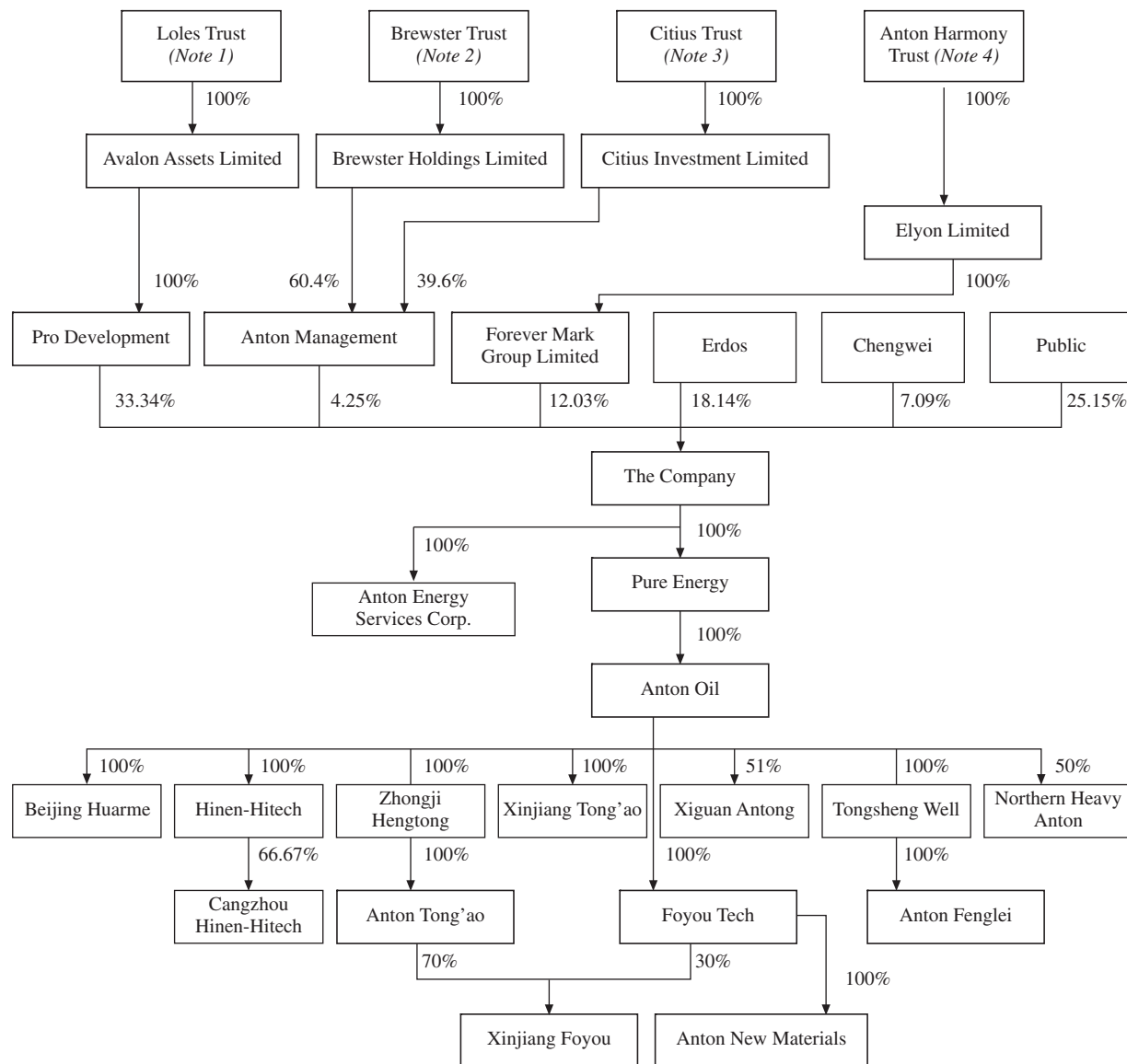


Notes:

- (1) Loles Trust is a discretionary trust established by Luo Lin.
- (2) Brewster Trust is a discretionary trust established by Ma Jian.
- (3) Citius Trust is a discretionary trust established by He Zhigang.
- (4) Anton Harmony Trust is a fixed trust established by 22 employees of the Group.

HISTORY AND REORGANIZATION

After completion of the Global Offering and the Capitalization Issue, our shareholding structure will be as follows (assuming that the Over-allotment Option and the Pre-IPO Share Option have not been exercised).



Notes:

- (1) Loles Trust is a discretionary trust established by Luo Lin.
- (2) Brewster Trust is a discretionary trust established by Ma Jian.
- (3) Citius Trust is a discretionary trust established by He Zhigang.
- (4) Anton Harmony Trust is a fixed trust established by 22 employees of the Group.
- (5) The shareholdings of Erdos and Chengwei in our Company are not counted as part of the public-float of the Company.

HISTORY AND REORGANIZATION

Each of Erdos and Chengwei severally undertakes to the Company and each of the Joint Sponsors that, it will not and shall procure that the relevant registered holder(s) (as the case may be) shall not, without the prior written consent of the Company and the Joint Sponsors, in the period commencing on the date by reference to which disclosure of the shareholding (direct or indirect) of each of them is made in this prospectus and ending on the date which is six months from the date on which dealing in the Shares commence on the Stock Exchange, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which it is shown by this prospectus to be the beneficial owner (whether directly or indirectly) provided always that in the event the Company and the Joint Sponsors grant their consent to either Erdos or Chengwei to dispose the Shares or agree to amend the lock-up undertakings from either Erdos or Chengwei in anyway, the Company and the Joint Sponsors shall consent to the disposal of the same proportion of Shares by the other party or agree to amend the lock-up undertakings from the other party in the same manner (as the case may be). The Company and each of the Joint Sponsors will only take into account the best interest of the shareholders of the Company as a whole in deciding whether to release Erdos and Chengwei from their respective non-disposal undertaking.

The principal subsidiaries of the Group are Anton Oil, Xinjiang Tong'ao, Anton Tong'ao, Foyou Tech and Tongsheng Well.

Our PRC legal advisors have confirmed that we have obtained all approvals and permits required under PRC laws and regulations in connection with each stage of the reorganization and where registration is required with SAFE for any PRC shareholders, such registration has been completed in accordance with applicable laws and regulations of the PRC.

Our PRC legal advisors have advised us that The Provisions on the Acquisition of Domestic Enterprises by Foreign Investors (2006 Revision) (關於外國投資者併購境內企業的規定) (the "M&A Provisions"), which became effective on September 8, 2006, did not apply to the acquisition of Anton Oil by the Parent Company because the acquisition was completed prior to effective date of the M&A Provisions and the M&A Provisions do not apply retroactively.

BUSINESS

Overview

We believe that we are one of the leading non-government-owned providers of onshore oilfield services in China in terms of revenue. We provide high-end oilfield services and products in the areas of well services, drilling services, production services and field services. Our products and services cover various stages in the life of an oil and gas field. According to the Peking University Report, which we commissioned, there are over 1,200 non-government-owned oilfield services providers in China, which, in total, share approximately 10% of the oilfield services market in China. Based on our 2006 revenue, we had approximately 1.2% share of the fragmented non-government-owned oilfield services market. Between 2004 and 2006, the net profit attributable to equity holders of the Company grew at a CAGR of 71.0%. For the years ended December 31, 2004, 2005 and 2006 and the six months ended June 30, 2007, our revenue was approximately RMB80.1 million, RMB149.2 million, RMB247.0 million and RMB174.0 million, respectively, and our net profit attributable to equity holders of the Company was approximately RMB26.2 million, RMB43.8 million, RMB76.7 million, and RMB42.4 million, respectively.

Our well services division offers high-end onshore fracturing and acidization, sand control and well cementing services. We believe we are one of the major high-end service providers of fracturing and acidization, and sand control services in China in terms of number of well jobs completed and manufacturing capacity of sand screens. We offer comprehensive solutions that integrate sophisticated well design with technologically advanced materials. Our solutions focus on increasing oil and gas production, and extending well life in technically demanding geological situations, whether in deep-zone wells, high-pressure wells or horizontal wells. In addition to our own research and development, we have also partnered with BJ Services Company, a major international oilfield services company, on a non-exclusive basis, to offer high-end fracturing and acidization and well cementing. For the years ended December 31, 2004, 2005 and 2006, and the six months ended June 30, 2007, well services accounted for approximately 1.6%, 4.8%, 7.1% and 47.5%, respectively, of our total revenue.

Our drilling services division offers a large variety of downhole equipment, including drill pipes, heavy-weight drill pipes, drill collars, well casing and tubing, and drill pipe testing and welding services. According to the Peking University Report, which we commissioned, we are a leading provider of drill pipe testing services in China. We add value and realize additional revenue by packaging products with a suite of services, including testing and hard banding welding. We entered into a joint venture agreement with Northern Heavy, a PRC incorporated drilling equipment manufacturer, in May 2007 to form a joint venture to produce drill collars and heavy-weight drill pipes. We expect the joint venture will provide us with a stable and long term supply of drill collars and heavy-weight drill pipes to sell to our customers. For the years ended December 31, 2004, 2005 and 2006 and the six months ended June 30, 2007, drilling services accounted for approximately 40.6%, 45.6%, 46.8% and 30.7%, respectively, of our total revenue.

Our production services division provides production equipment and related services to oilfields, with a focus on extending equipment life in corrosive and sandy conditions, improving productivity and reducing costs. We manufacture and sell durable and corrosion-resistant couplings, sucker rods and specialized downhole pumps. We plan to expand our services in 2008 to include oilfield water treatment services and EOR chemical services for production enhancement of oilfields. For the years ended December 31, 2004, 2005 and 2006 and the six months ended June 30, 2007, production services accounted for approximately 16.6%, 17.0%, 18.9% and 10.2%, respectively, of our total revenue.

BUSINESS

Our field services division provides, through regional field service facilities, a comprehensive variety of on-site services in connection with oil and gas field production activities, including drill-pipe leasing, coating, mechanical maintenance and ground construction. We have established long-term working relationships with our major customers in the Tarim Basin in respect of providing these services and products. We aim to establish similar long-term servicing platforms in other oil and gas production areas with attractive growth potential in China. For the years ended December 31, 2004, 2005 and 2006 and for the six months ended June 30, 2007, field services accounted for approximately 41.2%, 32.6%, 27.2% and 11.6%, respectively, of our total revenue.

We derive a significant amount of our revenue from the provision of services and sale of products, on a non-exclusive basis, to the affiliates of the three major state-owned oil and gas companies in China, namely CNPC, Sinopec and CNOOC. Because of their dominant market position, we, like many other non-state owned oilfield services companies, often accept longer payment terms than we would otherwise accept. We continue offering services to such companies as we believe they are financially sound customers. Our trade receivables turnover days have been increasing during the Track Record Period. For the years ended December 31, 2004, 2005 and 2006 and the six months ended June 30, 2007, our trade receivables turnover days were 105 days, 135 days, 187 days and 213 days, respectively. If our trade receivables turnover days continue to increase, our ability to manage our cash flow will be negatively affected, which may have a material adverse effect on our financial condition and results of operations. We experienced negative operating cash flow of RMB95.4 million and RMB35.5 million for the year ended December 31, 2006 and the six months ended June 30, 2007, respectively. In order to better manage our working capital, we have formed a special committee that is headed by our chief executive officer and comprises our chief financial officer and top managers from all regional sales offices. The committee will review our working capital status at monthly meetings and address any outstanding issues. In addition, we have set detailed receivables collection targets for each sales region, which is a key performance benchmark for the regional managers and is directly linked with the top regional managers' compensation and future promotion. We are negotiating with local banks for extension of additional credit lines to satisfy our future working capital needs. We will also seek to pledge part or all of our available trade receivables to obtain additional working capital loans if such needs arise. We are also studying the possibility of factoring or selling part of our receivables in order to shorten the trade receivables cycle. We believe our ability in seeking financing will also increase as we continue to grow our business and enhance our brand recognition.

Our three major customers for the three years ended December 31, 2006 were Petro China Company Limited (中國石油天然氣股份有限公司), China Petrochemical Corporation (中國石油化工集團) and CNPC Sichuan Petroleum (中石油四川管理局).

We have raised capital through two rounds of private placements, among others. On August 11, 2006, the Parent Company, Erdos, Chengwei, Anton Oil, Pro Development, Anton Management and Luo Lin entered into a subscription agreement pursuant to which Erdos and Chengwei agreed to subscribe for 18,000,000 and 7,000,000 Series A preferred shares of the Parent Company for an aggregated subscription price of US\$25,000,000 (RMB185,400,000). On June 14, 2007, the Parent Company, Erdos, Chengwei, Anton Oil, Pro Development, Anton Management and Luo Lin entered into a second subscription agreement pursuant to which Erdos and Chengwei agreed to subscribe 7,000,000 and 2,250,000 Series B preferred shares of the Parent Company for an aggregate subscription price of US\$18,500,000 (RMB137,196,000). The proceeds from the Series A Financing were used for the construction and purchase of equipment for the Huairou manufacturing facility and the 25-inch diameter casing manufacturing plant and as general working capital of the Group, and we intend to use the proceeds from the Series B Financing for the purchase of equipment for the Huairou manufacturing facility and as general working capital of the Group.

BUSINESS

In November 2007, as part of our overall growth strategy for our well sand control business, we acquired the entire equity interest in Hinen-Hitech, a sand screen manufacturer in China, for a consideration of approximately RMB149.0 million.

Competitive Strengths

We believe that our success and future prospects are bolstered by a combination of our strengths, including the following:

- We are a technologically advanced non-government-owned provider of oilfield services in China.
- We are well positioned to introduce technologically advanced products and services to China at competitive prices.
- We are well positioned to be a consolidator in the China oilfield services industry.
- We have an established, nationwide sales and service network.
- We have an experienced, stable and entrepreneurial management team.

We are a technologically advanced non-government-owned provider of oilfield services in China.

We operate in a high-end and value-added niche market in the PRC onshore oilfield services industry. We are able to offer a wide range of services that requires sophisticated technologies and skills. We are a leading domestic provider of well-fracturing services for HTHP wells. We are the only non-government-owned oilfield services provider in China that has been granted permission to establish a “post-doctoral research program” by the Ministry of Personnel of the PRC. A post-doctoral research program is part of a prestigious nationwide government-approved program for seconding selected post-doctoral personnel to qualified institutions, such as our Company, to conduct scientific and technical research. We are one of the few onshore providers of high-end fracturing and acidization services in China. In addition, we applied our anti-corrosion coating technology commercially in 2004. Prior to then, PRC companies primarily imported coating technology from overseas. We are the only company in China that has developed Arnco-certified hardbanding welding equipment. We believe we possess significantly greater research and development capability than our domestic competitors. We have demonstrated capability and a proven track record in introducing new services and products through our in-house innovations and ability to acquire technological skills. As of June 30, 2007, we had been granted 43 patents and had 48 pending patent applications. See “— Research and Development.”

We are well positioned to introduce technologically advanced products and services to China at competitive prices.

We believe we are a low-cost service provider compared to international competitors by utilizing a large and cost-competitive domestic labor pool. Many international oilfield services providers offer high-end services and products and have superior research and development capabilities, but have higher operational costs. We also partner with international oilfield services providers to introduce technologically advanced products and services to China at competitive prices. In addition, compared to international oilfield services providers, we believe we have a better understanding of the geological conditions in China as well as the

BUSINESS

business strategies of oil and gas producers in China. As a result, we can more accurately anticipate and meet the needs of oil and gas producers in China, and direct the focus of our research and development accordingly. We are well positioned to capture opportunities in the relatively untapped domestic markets that increasingly demand more technologically sophisticated oilfield products and services.

We are well positioned to be a consolidator in the China oilfield services industry.

We believe the onshore oilfields services industry is fragmented in China and it is poised to undergo further consolidation. Our operating and financing capabilities position us well to acquire other non-government owned companies so that we can increase our scale as well as expand the range of our product and service offerings. We have a dedicated division that focuses on evaluating possible acquisitions, and an entrepreneurial management team and nationwide industry network. Furthermore, because of our expertise across a range of oilfield services, we are able to identify locally focused or product-focused acquisition targets, and realize greater value by modifying and/or marketing their products to better cater to the needs of the nationwide oilfield services market. In particular, our approach to packaging products with services, such as in our drilling services division, enables us to enjoy the synergies of integrating newly acquired manufacturing capabilities with our existing services. The acquisition of Hinen-Hitech and the joint venture with Northern Heavy are recent examples of the successful implementation of our acquisition strategy.

We have an established nationwide sales and service network.

We are one of the few non-government-owned oilfield services companies that has an established nationwide sales and service network in China, with 12 sales offices covering the major oil production areas in China. We believe in the necessity of having a nationwide network as such a network is a significant barrier to entry into the PRC oilfield services markets for domestic and international competitors. Our sales and service team consists of many highly educated and experienced personnel, most of whom have formerly served in one of the three major government-owned oil and gas companies in China. As a result, we are well positioned to benefit from the expertise and experience of our sales team, who can understand customers' needs, offer potential solutions and facilitate the development of new products and services. We have established long-term strategic relationships with many of our customers, including, in some cases, entering into long-term product and service agreements.

We have an experienced, stable and entrepreneurial management team.

Our senior executive officers are experienced, having served in executive positions in Sinopec, PetroChina, Halliburton and other major enterprises in the industry. All of our senior executives have obtained master's degrees or higher academic qualifications. By establishing an entrepreneurial corporate culture and an attractive employee compensation scheme, we have created and maintained a stable management team. Although competition for qualified and experienced personnel is intense in our industry, since our inception and up to the Latest Practicable Date, we had experienced no turnover among our core management and technical personnel. Our management team has demonstrated capability and a proven track record in introducing new products and services, while expanding our market base. As a result, we grew our net profit attributable to equity holders of the Company at a CAGR of approximately 71.0% over the three years ended December 31, 2006. See "Directors and Senior Management" for details on the academic credentials and related experience of our Directors and senior management.

BUSINESS

Business Strategy

We intend to become the leading oilfield services company in China by pursuing a one-stop shop service strategy especially focusing on technologically advanced services and products initially targeting the high-growth exploration and production regions. The implementation of our strategy consists of the following:

Expand the scale and scope of our products and services.

We intend to further expand the scale and scope of our products and services in all our business lines through research and development, international partnerships, expansion into high-end and high margin products and focusing on services by leveraging on existing products. For example:

- In well services, we will procure fracturing and coiled tubing equipment and establish a dedicated engineering and construction team.
- In drilling services, we will focus on higher margin services by first expanding our manufacturing capacity for drill collars and heavy-weight drill pipes, increasing the volume of our drill-pipe leasing services, and then expanding testing services of drilling equipment. In addition, we plan to provide borehole enlargement services and drilling engineering services.
- In production services, we plan to expand our manufacturing capacity of high-end oilfield production equipment. At the same time, we plan to develop and provide oilfield water treatment and EOR chemical services.
- In field services, we will develop new products and services for our current bases and establish new bases in regions with attractive long-term growth.
- We plan to establish a manufacturing center and a research and development center to support our future growth.

Target to maintain our rapid growth through a combination of organic growth and selective acquisitions.

With respect to our existing products and services, we intend to focus primarily on organic growth, supported by selective acquisitions. We plan to utilize selective acquisitions to increase our manufacturing capability in order to minimize reliance on third party supply. To achieve greater organic growth, we plan to expand the scale of our operations and scope of our services. We believe our existing and expanded field services division will provide us with a growing platform for cross-selling opportunities. We will also utilize acquisitions to develop new products and service lines, focusing primarily on acquisitions of companies with established track records and proven abilities in the target areas. Our acquisition targets will primarily be other domestic non-government-owned companies. We will also consider international acquisition opportunities, with a view to strengthen our technical capabilities. When evaluating a potential acquisition target, we would look at aspects such as: (i) the potential synergies that could be generated by the investment; (ii) the potential target's existing revenue generation capability; (iii) market size and growth potential; (iv) the potential target's competitive position in its market; and (v) the quality of the potential target's existing technology and products. Presently, we are not in negotiation with any specific acquisition targets.

BUSINESS

Further strengthen our sales and service platform.

We currently have an extensive sales and service network in the oilfield services industry in China, and intend to maintain this advantage by further strengthening our nationwide network through the establishment of additional on-site service bases in the major oil and natural gas production sites throughout China. We believe that through the establishment of these regional field service facilities, we will be able to respond quickly to the requirements of our customers and thereby strengthen our competitive position in the oilfield services industry. As in the past, we believe we will be able to continue to secure long-term contracts and establish long-term customer relationships through a team that can offer field-specific solutions to meet our customers' needs. We will continue to recruit individuals with extensive industry-specific experience. We also plan to expand the marketing platform of our products and services in the Middle East and North America. We intend to expand our sales team by approximately 100 to 150 people in the next two years.

Maintain our leading position in technology.

We will continue to invest in research and development facilities and recruit qualified personnel in order to maintain our technological leadership in the domestic oilfield services sector. We will build new research and development facilities at Huairou, a suburb of Beijing, by late 2008 with part of the net proceeds from the Global Offering. The Huairou research center will be located within a wider manufacturing facility that we are constructing in Huairou. We plan to utilize our post-doctoral research program to continue to attract high quality personnel to join the Antonoil Research Institute. Where appropriate, we plan to cooperate with international companies to bring in additional technological capabilities. We will continue to focus on developing and providing solutions that will enhance our customers' production and lower their cost base. Our primary focus includes well services such as sand control and well cementing technologies and stimulation technology to increase production recovery rates.

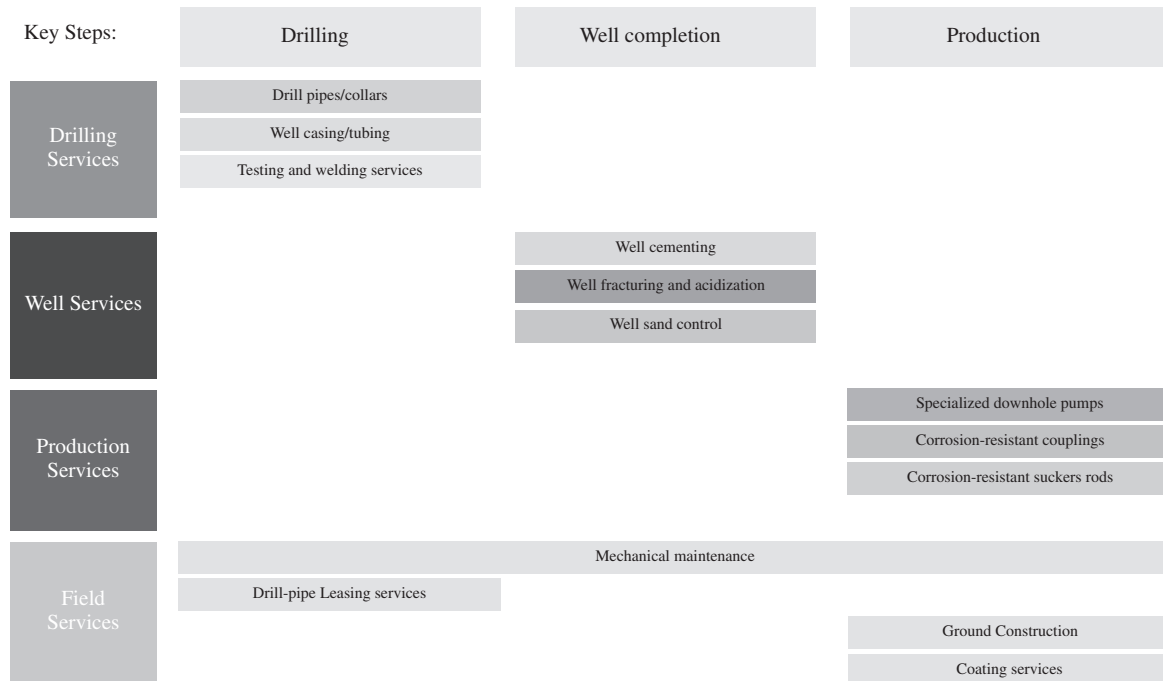
Products and Services

Overview of the Oilfield Services Process

We market and provide a wide range of oilfield services and products across the PRC onshore exploration and production market. We provide services and products to our customers across the stages of the oil and gas exploration and production process. The oil and gas production process begins with exploration including the drilling of exploration wells, and if commercial oil or gas discoveries are made, this is followed by the drilling of production (development) wells, well completion, and finally with the actual production process. The services and products we offer include well services, drilling services, production

BUSINESS

services and field services. We package our services with our product sales to both add value to our customers and realize higher revenue and margins. In addition, we are able to offer related products and services to the same customer, across the drilling, well completion and production processes. The following diagram outlines the well life across the exploration and production processes as they relate to our products:



Drilling. Drilling is required in both the exploration and production stages of an oil and gas field. Drill pipes and drill collars are indispensable tools in the drilling process and connect the drilling rig’s rotary system to downhole drilling bit. Drilling rotational torque is transferred through the drill pipe to the drilling bit to enable the drill bit to penetrate layers of hard rock at depths typically ranging from 1,000 to 7,000 meters. Drilling equipment such as drill pipes and drill collars are often subject to significant downhole attrition, heat and pressure, and are easily damaged or corroded and tend to wear out quickly. As a result, drill pipes must be subject to rigorous periodic inspection, testing and maintenance, in order to ensure that drilling work is not delayed or held up by quality problems with drilling tools.

Well casing may need to be inserted down the well as drilling progresses, depending on the geological conditions and well design. Well casing consists of pre-designed and connected steel tubing, approximately the width of the planned well walls, inserted from the surface typically down to the target reservoir, and are utilized to maintain downhole pressure and prevent fluid-loss. Once the casing is set, narrower well tubing is inserted down inside the casing into the reservoir formation to serve as a conduit for oil and gas flow, first for flow testing and later to allow for production. Our drilling services division provides products and related services to drilling contractors at this stage of the exploration and production process.

Well completion. As the drilling progresses and the depth of the well becomes greater, well walls must be supported by cementing. Well cementing consists of injecting cement slurry down the well between the well casing and well wall in order to prevent the well walls from collapsing under pressure. Cementing must be designed to deal with the specific geological requirements of the well, including its pressure, gas content and temperature. Once the oil and gas reservoir has been tested and the field determined as ready for commercial development, drilled wells will require well completion to allow for optimal commercial

BUSINESS

production. The petroleum producing zone or zones of a well are located in the oil or gas reservoir formation and are treated utilizing various technologies including perforation, acidization and fracturing of the reservoir rock to maximize well production rates. For oil producing sandstone reservoir rock, which is common in China, sand screens need to be designed and inserted in the well producing zone to maximize the production life of the well. Our well services business division provides these products and related services during the development process, targeting “high-end” or complex wells, such as horizontal wells, deep-zone wells, and HTHP wells.

Production. Once wells are completed and surface equipment is in place, commercial oil production is ready to begin. Many oil wells, especially onshore oil wells, often require a mechanical pump on the surface and a downhole pump to pull oil to the surface through a suction process. Our production service division provides durable, corrosion-resistant production equipment and related services to exploration and production companies during the production process.

Various maintenance work is required for the life of a producing oil and gas field in order to maintain productivity of its wells and overall field. This maintenance work includes well workover, well clean up, re-fracturing and re-acidization of the well, laying, inspection and maintenance of surface oil and gas pipes and other equipment. Water treatment is also required for well produced water and for water re-injection, which is a necessary part of optimizing oil production. Our field services business division provides many of these services to oil and gas exploration and production companies during the production process.

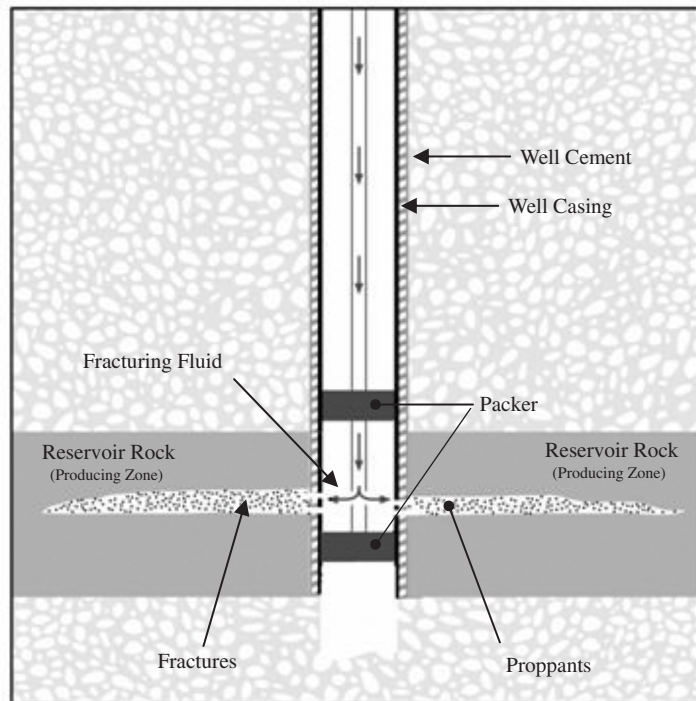
Well Services

We offer our customers high-end fracturing and acidization services, sand control services and well cementing services and target technically demanding geological conditions such as high-pressure gas wells, deep-zone wells and horizontal wells, so as to assist onshore oil and gas companies to increase production volume, expedite production, enhance recovery rates and extend the life of wells. We focus on this high-end market segment because we believe we have an advantage over our domestic competitors with respect to the technologies required for such wells. Our well services primarily include well fracturing and acidization services and sand control services. Beginning this year, we also offer well cementing services and related downhole tool services. We have experienced significant growth with our well services division, as there is a large demand for services for technologically demanding well conditions, and there is a shortage of oilfield services companies in China that are technologically advanced and offer as extensive a range of services as we do in this area. For each of the three years ended December 31, 2004, 2005 and 2006 and the six months ended June 30, 2007, the revenue generated from well services was approximately RMB1.3 million, RMB7.2 million, RMB17.6 million and RMB82.7 million, respectively.

Well Fracturing and Acidization. Well fracturing and acidization are used in the well completion process to increase the production and recovery rate of oil and gas in reservoirs with relatively tight reservoir rock, by creating or enlarging existing fissures and cracks in the rock to maximize the production rate of oil and gas. We conduct fracturing by utilizing a ground level fracturing truck that pumps either liquid or specially designed propellants under high pressure down the well into the reservoir rock. Acidization of the reservoir rock cleans and dissolves the face of the reservoir rock, exposing a greater surface area to increase

BUSINESS

oil and gas production rate. Following fracturing, created fissures and cracks are packed with gravel or proppants, which are small man-made pellets used to pack and maintain fissures under high pressure. We utilize ceramic pellets for packing purposes, given their durability and non-corrosive quality. The following diagram illustrates the basic processes involved in well fracturing and acidization.



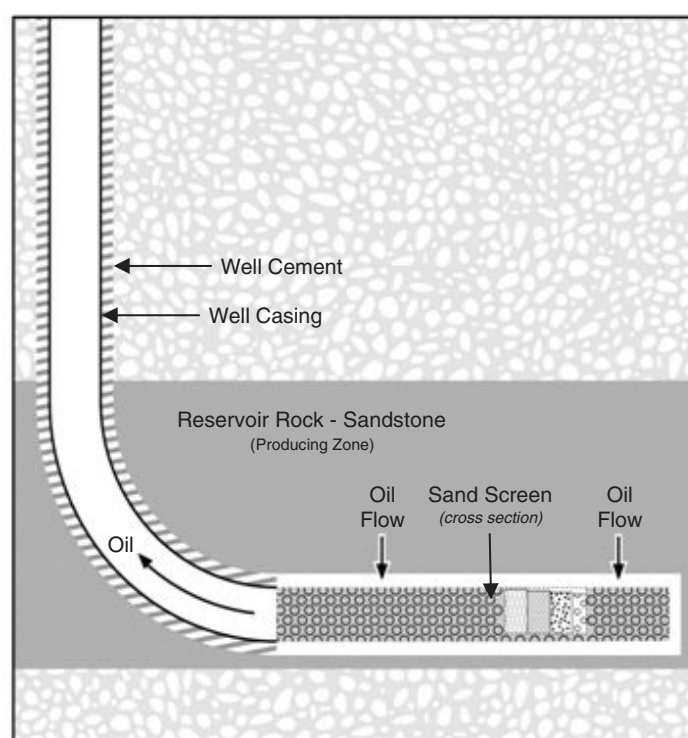
Note: For illustration only, not to scale.

We target high-end projects which include deep-zone wells, HTHP wells and wells in oil and gas reservoirs with low permeability. Deep-zone wells generally have very demanding geological conditions, such as higher temperature and pressure. There are few service providers in China that can undertake fracturing and acidization operations for such well requirements, largely due to the stringent requirements on the materials and technical design of the relevant tools, and the implementation of fracturing and acidization techniques for deep-zone wells. Over 16,000 wells are drilled in China annually, of which a significant portion are deep-zone wells and HTHP wells requiring high-end fracturing and acidization services.

We are one of the few onshore providers of high-end fracturing and acidization services in China. In 2006, we completed two well jobs, while in 2007 up to the Latest Practicable Date, we completed 24 well jobs. We partner with major international oilfield services companies on a non-exclusive basis for many of our well services, including high-end fracturing and acidization services. For example, we work jointly with BJ Services, where BJ Services provide sophisticated fracturing materials and related technological expertise while we provide our established marketing network, staffing and local geological expertise. Through such cooperative arrangements, we are able to provide high-end services with a lower cost structure compared to other international oilfield services providers operating in China. We currently provide fracturing services jointly with our international partner, while our clients provide fracturing trucks and related equipment for the job. We plan to procure fracturing trucks either by long-term leasing or purchasing, to support the expansion of our fracturing services.

BUSINESS

Well Sand Control. Well sand control is a technology used to prevent the sand in the reservoir zone from entering the oil and gas production channel. This technology aimed at minimizing suspension of production caused by sand accumulation, and therefore maximizing production and prolonging the production life of oil and gas wells. Well sand control is particularly necessary for horizontal wells and branch wells. We believe that, given sandstone is a common reservoir rock type in China and the number of wells that use sophisticated horizontal wells designs are increasing rapidly, there is a strong demand for well sand control services and products in the PRC market. In particular, we believe that there is considerable growth potential for our well sand control business, as, according to the Peking University Report, which we commissioned, PetroChina is expected to complete more than 600 horizontal wells per year in order to increase its oil production rate, a significant proportion of which would require sand control services. The following diagram illustrates the basic processes involved in well sand control.

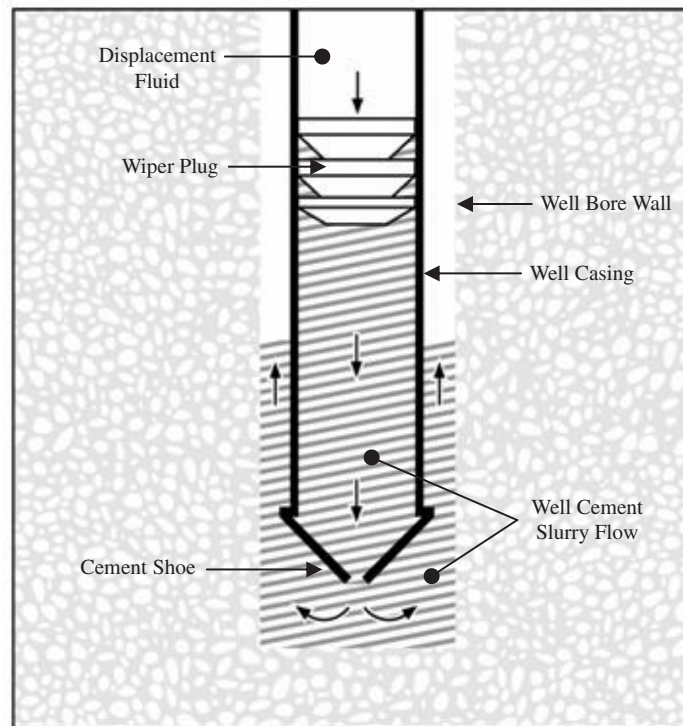


Note: For illustration only, not to scale.

Our patented sand screens are widely used in Jidong, Karamay, Shengli, Huabei and Jilin basins. Since we began providing the design and installation services for well sand control products in 2006, our sand control business has experienced significant growth. In 2006, we installed a total length of 343 meters of sand screens, while for the first six months of 2007, we installed a total length of approximately 16,800 meters of sand screens. In October 2007, as part of our overall growth strategy for our well sand control business, we entered into an agreement to acquire the entire equity interest in Hinen-Hitech, a sand screen manufacturer in China, for a consideration of approximately RMB149.0 million. The acquisition of Hinen-Hitech is a significant step in our plan to substantially increase our market share in the sand control market in China, as the acquisition would increase our production capacity of sand screens by at least 100,000 meters per year. Hinen-Hitech sold approximately 103,500 meters of sand screens in the 10 months ended October 31, 2007.

BUSINESS

Well Cementing and Downhole Tools services. As a well becomes gradually deeper through increased drilling, well cementing is required to strengthen the well wall around the casing to prevent it from collapsing under high pressure. Well cementing involves the injection of a layer of cement between the well casing and well wall, utilizing specially designed and selected downhole cementing tools, such as tail pipe suspension hangers and packers. Well cementing is generally conducted at different stages of the drilling process, and wells with different depths have different requirements as to the amount and type of well cementing. The following diagram illustrates the basic processes involved in well cementing.



Note: For illustration only, not to scale.

Our well cementing services include cement job services as well as glass bubble cement services. We are developing our well-cementing business with a focus on high-end well projects, which generally consist of HTHP oil and gas wells, as well as wells with naturally high levels of hydrogen sulfide and carbon dioxide corrosive gases. Cementing jobs for such projects have stricter requirements in respect of technology, design and expertise. We have a team of drilling industry experts who have many years of experience in this area, allowing us to provide our clients with the highest quality of well cementing solutions as well as technologically advanced downhole tools. At present, there are no well surface tools and products available in China suitable for applications in harsher environments and such tools and products have to be imported. We partner with a leading international oilfield services company on a non-exclusive basis to procure cementing designs for high-end cement jobs. With our high-quality and technologically advanced well cementing methods and tools, the lifespan of cemented well walls can be extended substantially. In the first six months of 2007, we provided glass bubble cement services for five wells and plan to commence high-end cementing well jobs in the second half of 2007 with our international partner.

BUSINESS

In the near term, we expect to penetrate the Northeast China market focusing on our ability to work on natural gas wells rich in carbon dioxide. In the longer term, we plan to expand into the deep, horizontal well market, particularly in the Sichuan Basin, Tarim Basin, Erdos Basin and Bohai Bay regions, where the development of natural gas production is more active.

Drilling Services

We provide drilling services for oil exploration and production drilling. Our products and services include the sale of drill pipes, drill collars and heavy-weight drill pipes, well-casing and tubing, and related value-added services, including drill pipe testing and hard banding welding. For the years ended December 31, 2004, 2005 and 2006, and the six months ended June 30, 2007, the revenue generated from drilling services was approximately RMB32.5 million, RMB68.0 million, RMB115.5 million and RMB53.3 million, respectively. Our major drilling services are as follows:

Drill Pipes, Collars and Heavy-weight Drill Pipes: We manufacture and sell drill pipes, heavy-weight drill pipes as well as drill collars, and provide our customers with related services. We sold approximately 1,169 tonnes of drill pipes and four drill collars and heavy-weight drill pipes for the year ended December 31, 2006, while we sold approximately 300 tonnes of drill pipes and 290 heavy-weight drill pipes for the six months ended June 30, 2007. In order to satisfy increasing demand in a timely manner, we place orders for drill pipes six to 12 months in advance. In addition, we entered into an agreement in May 2007 (the “JV Agreement”) with Northern Heavy, a PRC incorporated drilling equipment manufacturer, to establish a joint venture company (“JVC”) to produce drill collars and heavy-weight drill pipes in-house through the existing facilities of Northern Heavy. The key factors for our decision to set up a joint venture with Northern Heavy are: (i) the quality of Northern Heavy’s products and their established relationships with suppliers and customers; (ii) we can leverage the expertise, in particular drill collars and heavy-weight drill pipes of Northern Heavy; (iii) the establishment of the JVC would provide us with a stable and long-term supply of drilling tools, collars and heavy-weight drill pipes, as the JV Agreement stipulates that the JVC must first satisfy the demand of the Company before offering to sell its products to other parties; and (iv) we will not have to deal with multiple suppliers for collars and heavyweight drill pipes with varying qualities, thus will be able to enjoy greater cost efficiency and administrative convenience.

Under the joint venture agreement, Northern Heavy’s capital contribution will be in the form of assets, and our capital contribution will be in the form of cash. Northern Heavy has also committed to assist in establishing the JVC’s manufacturing operations and agreed to provide its manufacturing facilities for JVC’s use during the set-up period to enable the JVC to commence production as soon as possible. Both parties to the joint venture will each hold a 50% interest in the JVC, and each party will be entitled to 50% of the JVC’s profits. The JVC is required under the JV Agreement to give priority to meeting our demand for collars and heavy-weight drill pipes. We also plan to expand the annual production capacity of the joint venture to approximately 12,000 drill collars and heavy-weight drill pipes in 2008.

Well Casing and Tubing: We design, manufacture and install well casing during drilling operations, as well as well tubing for oil and gas production. Well casing consists of pre-designed and connected steel pipes of approximately the width of the planned well walls which are normally installed from the surface down to the target reservoir to maintain downhole pressure and prevent fluid-loss. Following the completion of well casing, a narrower well tubing is installed to allow the flow of oil and gas to surface. We are one of three major manufacturers in China that can manufacture the larger 20-inch diameter casing size. Our case

BUSINESS

manufacturing line is the largest casing manufacturing line in western China, and is well positioned to service the growing market in Central Asia. We also service our customer's existing well casing, tubes and fittings as soon as the well has commenced production. We sold approximately 502 tonnes of casing and tubing in 2006, while we sold approximately 804 tonnes of casing and tubing for the first six months of 2007.

Related Tools and Services: We offer testing and inspection, hard banding and welding services for drill pipes, heavy-weight drill pipes, drill collars, other drilling tools, welders and jars as well as maintenance services to drilling contractors. We are also engaged in the manufacture and sales of hard banding welding machines and the supply of welding wire materials. For the year ended December 31, 2006 and the six months ended June 30, 2007, our revenue from provision of related tools and services was approximately RMB37.7 million and RMB21.3 million, respectively.

Our testing services utilize multiple techniques including ultra sound and magnetic powder to identify wear and tear or other defects in used drill pipes and drill collars in order to fully appraise their working condition to ensure the safe usage in drilling. The testing services provided by most other domestic oilfield services providers generally use only one type of technique and their testing results are often less comprehensive than ours.

Our hard banding welding services utilize our patented hard banding welding machine to apply a special material to the part of drill pipes which come into contact with well casings to protect both drilling bits and well casings and increase their lifespan. The hard banding welding techniques and materials typically used in China previously only protected drilling bits but not casings. With our patented hard banding welding machine and advanced welding techniques, we are well recognized as a provider of high quality hard banding welding services in China. See “— Research and Development.”

Production Services

We manufacture production equipment and provide related services to oilfields, with a focus on extending equipment life in corrosive and sandy conditions, improving productivity and reducing costs. For the years ended December 31, 2004, 2005 and 2006 and the six months ended June 30, 2007, our revenue from these products and services was approximately RMB13.2 million, RMB25.3 million, RMB46.7 million and RMB17.8 million, respectively.

We manufacture and sell durable and corrosion-resistant couplings, sucker rods and specialized downhole pumps. Although our costs are generally higher than that of other domestic manufacturers, we are able to command higher prices because of the advantages associated with our equipment, in particular the anti-corrosive characteristic and durability of our products. For example, our AOC special alloy and ceramic pumps significantly extend the lifespan of our products. Our products generally enjoy longer lifespans than similar products, which in turn reduces our clients' costs in connection with purchasing replacement equipment and repairing equipment. For the year ended December 31, 2006, we sold approximately 460 well pumps, 139,480 couplings, and 3,697 alloy-coated sucker rods, while for the six months ended June 30, 2007, we sold approximately 54 well pumps, 38,561 couplings, and 4,073 alloy-coated sucker rods.

BUSINESS

Field Services

Our field services consist of a comprehensive range of on-site services offered to large oil and gas producing areas or bases, during the production process of an oil or gas field. Our primary services include drill-pipe leasing, coating, mechanical maintenance and ground construction. We also provide testing, repair, maintenance and coating services for drilling tools and well tubing, as well as hard banding welding services. For the years ended December 31, 2004, 2005 and 2006 and the six months ended June 30, 2007, our revenue from such services was approximately RMB33.0 million, RMB48.7 million, RMB67.1 million and RMB20.2 million, respectively. Although the revenue from field services increased between 2004 and 2006, its contribution as a percentage of our total revenue decreased because our total revenue increased at a much faster rate than the revenue from field services due to the more rapid growth of our other business divisions during the period. See “Financial Information — Key Income Statement Items — Revenue” for details of our revenue breakdown.

Our coating services utilize anti-corrosion and attrition-resistant material to coat the inner layer of pipes and tubes used in oil production, including drill pipes, tubing and casings, to enhance their performance. The demand for coating services exceeds the supply of such services in China. We manufacture coating material through our facilities in the Xinjiang Uygur Autonomous Region, and are able to provide customized coating services based on the corrosive conditions of different oilfields. See “— Research and Development.”

Our oil pipe repair technology comprises endospore rust removal and exospore surface polishing. This technology reduces the damage to the joint area between screw pipe and the body of the oil pipe that is often caused by manual repair of screw blades. We believe our technology, part of which is patented, is one of the most advanced in our field. See “— Research and Development.”

We strategically launched our field services in Xinjiang Uygur Autonomous Region, an oil-rich but less industrialized region, where we have established field service platforms in close proximity to major regional oil and gas production bases. Our local presence and timely services have led to solid long-term business relationships with major local customers, such as CNPC. We provide our customers with various field services such as the testing repair and coating of drilling tools and well tubing and hard banding welding services, through which we are able to obtain first-hand information on the potential needs of our local customers and the regional trends, which is essential to our ability to offer new products and services that will be well received by the market. We have been continuously providing field services to a major customer at Tarim Basin since 2002. In 2005, we entered into an exclusive six-year contract with this customer to provide certain types of casings in the same area. Currently, we are among the few oilfield services companies in northwestern China that provide drill pipe and oil pipe coating services.

Leveraging our experience in Xinjiang Uygur Autonomous Region, we intend to build field service facilities which house production equipment, services facilities, raw material storage facilities and service personnel in the Northwest, Northeast, Huabei and Southwest regions. Such service platforms will be constructed near the oilfields to enable us to respond promptly and effectively to our customers’ onsite needs. We also intend to enter into long-term contractual arrangements with other customers in other regions in which we operate. Long-term contractual arrangements refer to product and/or services supply agreements

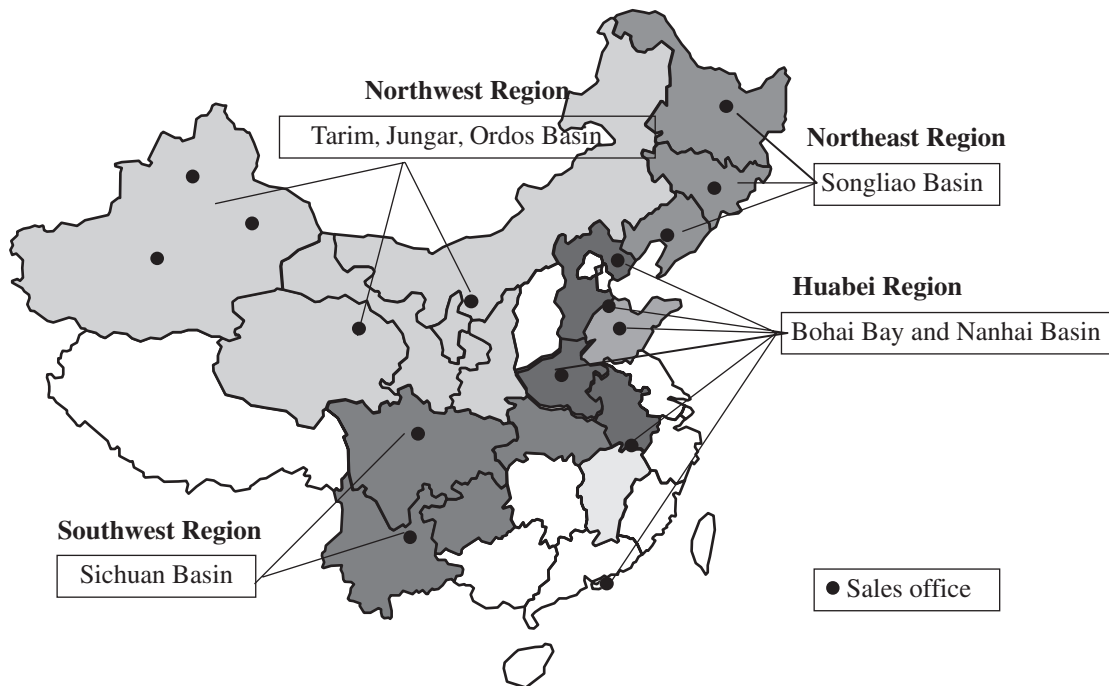
BUSINESS

for periods of at least one year which we enter into with our customers. Our primary focus of expansion is on newly developed oilfields, where oil and gas producers prefer to sub-contract their service needs to service providers such as us. We have built a new service platform in Shaanxi, in anticipation of providing field services, and plan to provide field services in the actively developing Sichuan Basin and the Bohai Bay area.

Sales and Marketing

We have a nationwide sales network covering the major oilfields as well as various promising exploration areas throughout China. According to the Peking University Report, which we commissioned, in 2006 the total market size of China's oilfield services industry was approximately US\$26.1 billion (RMB193.6 billion). It is forecast to more than double in size in terms of revenue in the next five years to US\$52.1 billion (RMB386.4 billion), to keep pace with the growth in the upstream exploration and production sector. We believe we are poised to benefit from this growth. We also plan to develop international points of sale in the Middle East and North America in the next two years. Currently, we divide our sales network into one international division and four regional districts. Our four regional districts are the Northwest, Southwest and Northeast and Huabei regions. This extensive coverage allows us to service all the major oilfields in China.

Set forth below is a map depicting our nationwide sales and service network:



BUSINESS

The table below sets forth the revenue contribution by domestic regional district for the periods indicated.

Region	For the year ended December 31,			For the six months ended June 30, 2007
	2004	2005	2006	
Huabei Region	25.4%	25.5%	24.5%	8.9%
Northwest Region	49.0%	54.0%	46.0%	51.7%
Northeast Region	5.7%	10.9%	8.4%	14.0%
Southwest Region	19.9%	9.6%	21.0%	24.3%

As of the Latest Practicable Date, our sales force consisted of 70 persons, of whom 39 have master's degrees, doctorates or otherwise have academic credentials in the oil and gas industries. The oil industry is comprised of a relatively small number of customers, each of which has highly technical and specialized knowledge of the industry. Hence, the success of our sales and marketing efforts is primarily dependent on the ability of our sales and marketing personnel to understand and express technical and specialized concepts unique to our industry. Accordingly, participants in this industry do not rely on a massive number of traditional retail sales personnel to market our products services. The 70 persons in our sales department contact and co-ordinate with the customers directly, with technical and other customers related supporting services provided by personnel at our headquarters. We believe this concentration of industry specialists affords us a competitive advantage in sales and marketing, particularly with respect to explaining to customers the technical aspects of our products and services and to understanding and anticipating the demands of our customers. We consider that our staffing level for sales and marketing is in line with industry practice and will continue to evaluate and adjust the size of our sales force to meet our business needs.

We utilize a matrix marketing system, where our sales team in our business units works in tandem with the sales team from our regional sales offices. Under this system, the business units are responsible for the development and promotion of new products and services, while the regional sales team manages the long-term relationship with customers. Through this integrated approach, the business units can tailor their products and services to the specific needs of our customers, and thereby strengthen the relationship between our regional sales team and our customers.

The three major state-owned oil and gas producers in China account for an overwhelming portion of the oil and gas industry in China. Like other oilfield services providers, we rely on the three major state-owned oil and gas producers for a substantial part of our business. We generally do not have long-term contracts with the three major state-owned oil and gas producers. In order to diversify our customer base, we have sought to explore opportunities in the overseas markets, as well as smaller oilfields or marginal oilfields in China which are relatively undeveloped and thus provide opportunities for smaller oil and gas exploration and production companies. As our service quality and reputation have improved, we have also been able to secure longer term contracts with our customers in Xinjiang and, increasingly, in other locations. We believe the international and private oilfield companies are gaining in market share. According to the Peking University Research Report, which we commissioned, the collective market shares of the international and private oilfield services companies were only approximately 15.0% in 2006 in revenue terms. We believe we are poised to benefit from this development.

BUSINESS

The table below sets out the percentages of our revenue derived from sales to each of the three major state-owned oil and gas producers during the Track Record Period.

	Year ended December 31,			Six months ended June 30, 2007
	2004	2005	2006	
CNPC	42.8%	45.2%	69.4%	76.8%
Sinopec	23.0%	28.2%	16.0%	6.4%
CNOOC	2.2%	2.3%	0.7%	2.3%

For the years ended December 31, 2004, 2005, 2006 and the six months ended June 30, 2007, our top five customers accounted for approximately 64.1%, 58.1%, 70.2% and 70.3%, respectively, of our revenue. Our largest customer accounted for approximately 27%, 26%, 35% and 35% of our revenue for the same respective periods. We are also diversified geographically, with the Northwest, Southwest, Northeast and Huabei regions each accounting for approximately 46.0%, 20.9%, 8.4% and 24.5%, of our revenue, respectively, for the year ended December 31, 2006. None of our shareholders, directors and their associates who hold more than 5% of our issued capital have any interest in our top five customers.

We have entered into long-term business relationships with customers in many of our key regions, which further secures our long-term development prospects. For example, we have offered field services in the Tarim Basin since 2002 and expanded our operations to offer such services in Sichuan and Jidong basins. We signed a six-year exclusive contract in 2005 with one of our major customers, a national oil company in the PRC, in the Tarim Basin to provide certain types of casings.

For revenue recognition policy for each of our four business divisions, see our accounting policies for sales of goods and sales of services in “Financial Information — Critical Accounting Policies.” Under our policies governing warranties, we make provisions for sales returns and defective products if: (i) we have a present legal or constructive obligation as a result of past events; (ii) it is probable that an outflow of resources will be required to settle the obligation; and (iii) the amount at issue has been reliably estimated. No such provisions had been made during the Track Record Period as no sales return or warranty or defective product claims occurred.

We intend to further promote the “Antonoil” brand name, particularly through the introduction in oil and gas periodicals and magazines of our solutions for industry-related issues as well as expositions conducted for industry participants.

Research and Development

We consider research and development to be among our core strengths, and a primary contributor in making us a high growth, high-tech oilfield services company. We are engaged in research and development activities directed primarily toward the improvement of existing products and services, the design of specialized products to meet specific customer needs and the development of new products, processes and services.

BUSINESS

The Antonoil Research Institute is responsible for conducting research programs, while the research personnel at the business units define and tailor their research to customer needs. As of June 30, 2007, we had more than 100 research and development personnel, 40 of whom hold master's degrees or higher academic qualifications. As of the Latest Practicable Date, we had obtained 43 patents, 48 pending patent applications and 54 proprietary technologies.

We have established cooperative relationships with renown academic and research institutions in China. Before establishing such relationships, we would usually ascertain the types of projects which we would like to undertake. Once a project has been chosen, we will select a suitable academic or research institution to establish a cooperative relationship and commence the relevant research and testing. We will then make arrangements to pay the fees for utilizing the institution's research facilities and personnel.

We generally enter into two types of fee arrangements for the utilization of the research and testing facilities at academic and research institutions: (i) fees for the labor and services rendered by the research personnel; or (ii) fees for the conducting of tests and experiments at the institution. These fees amounted to approximately RMB21,000, RMB59,000, RMB62,000 and RMB251,000 for the years ended December 31, 2004, 2005 and 2006 and the six months ended June 30, 2007, respectively. Our research and development activities are deeply integrated with production and service functions and involve inter-staffing between research and development team and technical service team, and a diverse array of activities which are typically booked under various line items in accounting records. Going forward, we aim to earmark the expenses specifically related to research and development and be able to accurately present our overall research and development expenses.

Regardless of the type of fee arrangement agreed upon with the research institution, we will try to retain all intellectual property rights to the inventions or products created by the institute's research personnel involved in our projects.

Examples of the cooperative relationships we have established include:

- We undertook studies in structural dynamics in respect of engineering dynamics, material dynamics in collaboration with Tsing Hua University, which have applications for sucker rods to enhance their durability and resistance to corrosion, pressure and impact, and their reliability and comprehensive performance.
- We collaborated with Beijing Institute of Technology to improve the anti-corrosive material and coating which we use for our anti-corrosion sucker rods and downhole pumps, and to conduct analysis and testing of the properties and composition of materials in order to develop new and more effective anti-corrosion products. We developed sucker rods with enhanced anti-abrasion properties, longer useful life and higher production efficiency.

We are the first non-government-owned oilfields services company to establish a post-doctoral work station, providing support to our post-doctoral employees in their research efforts, in particular the application of scientific theory to resolve real-life technical issues we face.

In recognition of our research and development capabilities, we have been granted favorable tax rates and government grants.

BUSINESS

Set forth below are examples of our research and development achievements:

- *Special compound sand-control technology.* Well sand control is important to oil producers in China as a substantial portion of oil wells in China are located in sandstone reservoir formations. We have developed a compound sand-control technology that utilizes our proprietary sand screen, which substantially improves the effectiveness of sand control under complex well conditions. Wells using our sand-control technology have much longer clogging cycle, which is a significant advantage to oil companies as sand control-related repair maintenance, such as unclogging and reinstalling sand-control screens, are time consuming. Our special compound sand-control technology can be used in vertical and horizontal wells, side-drilled wells and bare well bores, and also has wide application in offshore oilfields. Imported sand-control screens with comparable quality cost five times more than ours. Our compound sand-control technology has been used in certain major oilfields in China and has been well received by our customers. We have two registered patents for our sand-control screens.
- *Special downhole pumps.* We have developed a special ceramic downhole pump and a special alloy downhole pump that utilize our proprietary material processing technologies, which enhance the performance and durability of downhole pumps and increase their lifespan. Our special downhole pumps usually last at least twice as long as traditional downhole pumps under the same conditions, thereby significantly improving oil production efficiency, reducing down-time and labor costs from frequent repairing or replacing downhole pumps. Prior to our introduction of special ceramic pumps and special alloy pumps, there were no similar products or substitutes in the PRC market. We developed these products through our own research and development efforts.
- *Anti-corrosion coating technology.* Our anti-corrosion coating technology is applied to drill pipes, outer rods, and oil pipes. We applied our technology commercially in 2004. Prior to that, PRC companies primarily imported coating technology from overseas. Companies in the Tarim Basin had to transport their oil pipes and other related equipment from the eastern coastline to utilize such technology and equipment, incurring significant investment in time and cost. Our anti-corrosion coating technology utilizes a substantial proportion of domestically produced parts, which significantly reduced cost compared to technologies developed overseas. Moreover, we have applied our technology in the Tarim basin, one of our primary regional markets, which substantially reduced transportation costs for our Tarim-based customers. We have a total of 10 patents, including pending patent applications, relating to this technology.
- *Oil pipe repair technology.* Oil pipe repair is in great demand in China. The conventional method of oil pipe repair involves manual repair of screw blades, which often causes damages to the joint area between screw pipe and the body of the oil pipe. Another possible cause of disruptions to oil production is the clogging of pumps by the accumulation of rust particles on the interior surfaces of the pipes. To address these problems, we developed our own proprietary oil repair technology which comprises endospore rust removal and exopore surface polishing. We have obtained or applied for various patents in China for the equipment and machinery related to such technology, among which our blade designs represent one of the most advanced technology in our field.
- *Hard banding welding technology.* Hard banding welding technology was developed and commercialized in the international oil production markets in 1992. The technology was introduced to the domestic PRC market in 1997. We have developed our own hard banding

BUSINESS

welding equipment utilizing welding wire made by Arnco, which protects drill pipes without harming well tubings and is becoming the prevailing standard for hard banding welding material in the global market. We are the only company in China that has developed such equipment and obtained patented for it in the PRC in 2001. Our equipment is also the only equipment manufactured in the PRC that has been certified by Arnco. Arnco-certified hardbanding welding is commonly applied to drilling pipes in overseas markets Arnco has also certified our hardbanding welding services. The certifications are significant to us as we believe such technology has potential for greater acceptance in China. Our equipment enjoys lower production costs compared to our foreign competitors' products.

We will continue to focus on our research and development efforts to maintain our leading position in the PRC oilfield services industry.

Quality Control

As a company operating in an industry utilizing sophisticated technologies, quality control is paramount to our ability to maintain our leadership position in the industry. We have consistently adhered to the quality control standards customary in our industry. Where industry-recognized quality control standards do not yet exist with respect to a particular product or service, we seek to analogize the product or service to its nearest existing product or service, and to apply similar or higher standards to such new product or service.

In 2002, we implemented the ISO 9001:2000 quality control systems for our products and services, and received certification in 2003. In 2006, we amended our quality control system and further enhanced our management system in response to our expanding scope of management and the characteristics of our business.

Set forth below are examples of quality control milestones we have achieved, particularly with respect to standards established by the American Petroleum Institute, or API:

- In 2004, we received certification for the API Spec Q1:2003 quality control system.
- In 2005, our screw pipe processing procedure for tubing received API Spec 5CT certification.
- In 2007, each of our drill pipe joint, drill stem crossover sub and rotational shoulder belt sub received API Spec 7 certification.
- In 2006, we began construction of a well casing production line according to API Spec 5CT specifications, and applied to the API for certification in the production of casing and tubing for screw pipe or coupling, production of coupling and pup joints, and screw pipe processing. We received the certification in September 2007.

We have a quality control committee that is primarily responsible for the establishment and maintenance of our quality control system, and also supervises the implementation of the system. With respect to operations in our business units, we conduct internal control inspections from time to time, and have established timetables for internal review by the business units as well as evaluations by management.

BUSINESS

Our Quality Evaluation Report, issued once a year, is prepared based on a random inspection of our quality control and management systems. Where deficiencies are discovered, the report suggests ways in which deficiencies can be eradicated. The report also provides general guidelines on how quality control can be improved.

China Oilfield Services Competition

China's oilfield services sector is dominated by the subsidiaries of CNPC, Sinopec and CNOOC, with CNPC and Sinopec subsidiaries dominating the onshore market. Foreign oilfield services companies are also present in China, though they are much more active offshore China than onshore. Numerous domestic private oilfield services and equipment companies are also active in the onshore market, but are on a much smaller scale, constituting a very fragmented market. The government has encouraged the consolidation and growth of the private oilfield services sector as a means to speed up technological and supply growth which supports its domestic exploration and production market. Our major competitors are described below.

State-owned Enterprises: Subsidiaries of the state-owned groups of CNPC and Sinopec dominate the onshore oilfield services sector, and were established to focus on serving the exploration and production divisions of the group, some of them on a regionally focused basis. They benefit from scale, large asset and human resource bases, and inter-company relations with their customer base. They focus primarily on conventional drilling, logging, well services, engineering and equipment manufacturing. However, they historically have not invested significantly in research and development, nor have they moved to acquire or develop higher-end oilfield technologies. Currently both groups plan to streamline their oilfield services operations and increase divestment from this area. The CNOOC group also has its oilfield services subsidiary, COSL, which is publicly listed, and is focused on offshore China, serving both CNOOC Limited and international companies operating offshore China. Estimated national oilfield revenue for these three groups were RMB170.0 billion, for a 85.0% market share, according to the Peking University Report, which we commissioned.

International Participants: International oilfield services companies are more active offshore China, but also play a small role onshore China. Due to the higher costs and technological requirements for offshore oilfield services as well as the much more active role of western exploration and production companies, foreign companies have a greater market share in offshore China. Given their higher cost structure and lower participation of western companies onshore, foreign participation in the onshore oilfield services market is limited to specialized, high-end work, such as high-end well logging and well completion work, requiring greater technology than what state-owned oilfield services companies can provide. In 2006, there were up to 15 foreign oilfield services companies operating in China, including Halliburton, Schlumberger, Baker Hughes, Weatherford, and BJ Services, among others. Estimated national oilfield revenue for these companies was RMB10.0 billion, for a 5.0% market share, according to the Peking University Report, which we commissioned.

Private Sector: Domestic private companies are becoming increasingly active in China's oilfield services and equipment sector, especially in the onshore market. Currently, the private sector market is heavily fragmented, consisting of over 1,200 companies, many of which are either regionally focused or are focused on providing a particular product or service. To realize growth, most are challenged by lack of scale for research and development and for establishing integrated services and national sales platforms. However, as private companies, they benefit from the ability to adapt quickly to commercial trends, being independent from the requirements of any parent company or exploration and production affiliate, and can work openly

BUSINESS

with all three big oil companies as well as emerging private exploration and production companies. We believe we were one of the leading non-government-owned oilfield services company in terms of revenue for 2006. Estimated national revenue for the private oilfield sector was RMB20 billion, for a 10.0% market share, according to the Peking University Report, which we commissioned.

Our competitive landscape for each business division is summarized below.

Well services. We compete against the three types of companies described above. We believe the affiliates of the government-owned companies enjoy synergies with the three major companies, but their service offerings may lack the depth of sophistication that we believe is increasingly prized by customers. International oilfield services companies thus far have not made significant expansion into the Chinese oilfields services industry, primarily due to a lack of local market knowledge. The non-government-owned oilfield services companies may have fewer resources, but are generally better able to adapt to changing market conditions. Many of such companies also offer a narrower range of products and services. Hence, we believe we are well positioned in the industry compared to our competitors.

Drilling services. We manufacture drill pipes while simultaneously offering related leasing, testing, repair and maintenance services. We compete with companies that primarily manufacture drill pipes or primarily focus on drill pipe testing. According to the Peking University Report, which we commissioned, we are a leading provider of drill pipe testing services in China. We believe we enjoy competitive advantages resulting from our comprehensive solutions, which creates greater convenience for our customers and allows us to price at competitive levels.

Production services. This market can be further divided into high-end and low-end markets. We have identified the high-end market as a relatively untapped market in which we could become a first mover. We believe our products enjoy significant advantages compared to those of our competitors.

Field services. In long-established oilfields with substantial operating histories and limited residual market potential for newcomers, our main competitors are the affiliates of the three major government-owned oil and gas companies. In new oilfields, however, we generally face less competition from them. As part of our strategy, we seek to identify new oil and gas fields with great market potential.

We will continue to seek to maintain our technological superiority and capitalize on our expanding sales and service network in order to remain competitive.

Supplies

Our principal supplies include anti-corrosion and attrition-resistant materials and drill pipes. We procure from third-party suppliers certain components, tools and consumables and a few other generic parts to satisfy our current needs. The cost of materials was approximately RMB35.2 million, RMB57.8 million, RMB99.3 million and RMB75.6 million, accounting for 65.3%, 57.0%, 60.5% and 59.4% of our total operating costs in the three years ended December 31, 2004, 2005 and 2006, and the six months ended June 30, 2007, respectively.

To ensure the quality of our supplies, we generally select key suppliers with qualification certificates issued by the relevant government authorities or industry associations. Our selection criteria include the potential suppliers' technical qualifications, pricing, product quality and available services. We attempt to limit our supplier risk by purchasing raw materials and parts and components from several suppliers.

BUSINESS

Purchases from our five largest suppliers accounted for approximately 57.5%, 46.7%, 71.4% and 21.6%, respectively, of our total purchases for the years ended December 31, 2004, 2005, 2006 and the six months ended June 30, 2007. Purchases from our largest supplier accounted for approximately 22.4%, 22.7%, 26.6% and 10.6%, respectively, of our total purchases for the same periods. We usually do not enter into long-term supply contracts with our suppliers or hedge against the price volatility of raw materials. None of our shareholders, directors and their associates who hold more than 5% of our issued capital have any interest in our top five suppliers.

We are generally required to provide a 10% prepayment upon placing an order for drill pipes, and the balance is to be paid fully upon delivery. Payments for all other supplies, including tools, consumables and other raw materials, are generally due in one to three months after receipt of delivery. We believe that these credit terms granted by our suppliers are in line with current general market practices in China.

Pricing Environment and Policy

We determine and adjust the prices for our products and services on the basis of market supply and demand. The oil and gas industry is highly sensitive in terms of the quality and speed of oilfield services, and it places a lower priority on price. In determining our prices, we take into account the value added by our products and services such as increases in production volume or useful life of oil wells, the availability and pricing of comparable products and services in the market, our cost of goods or services, the convenience offered by our comprehensive services, and the positioning of our products and services in the target market.

Credit Policy. Our sales are settled mainly on the basis of cash or bank notes. We issue invoices upon receipt of customers' confirmation of acceptance of goods or completion of services. The amounts due are usually payable within three to six months from the invoice date. We may extend the credit term to our large customers on a case by case basis considering their payment record, the business volume from them and their strong bargaining power due to their dominant market position. In most cases, the extended credit term does not exceed 12 months. The payment arrangements for our sales contracts are as follows: Normally, our customers are required to pay after our delivery of products or services according to their respective contract terms; for a limited number of products sold primarily by our production services division, we require between 10% and 20% of the total contract price to be paid upon the signing of the contract, and between 70% and 80% of the contract price to be paid after the delivery of the products or the provision of the services. Some of our product sales contracts include a final installment, generally representing about 5% to 10% of the contract sum, which would be retained by the customer as retention money for a period no longer than one year, depending on the relationship with the customer and the type of products supplied or services provided. If claims arise in relation to products supplied or services provided during the period when retention money is held, the customer may first apply the retention money to settle their claim. Such payment arrangements are in line with the industry practice. The retention money accounted for less than 2.0% of our total accounts receivables at each year end during our Track Record period, and did not have a significant impact on our operations. We have not experienced any claim during the Track Record Period and all retention money has been paid by the customers.

BUSINESS

Environmental Compliance

We are subject to national and local environmental protection laws and regulations in China. Under the current PRC environmental laws, if the PRC government finds our operations to be in violation of applicable PRC environmental protection laws or regulations, we will be given a period of time to remedy the violation.

The Fengtai factory of Anton Oil commenced operation without having completed the inspection and approval procedures of its environmental protection facility due to physical limitations of its facilities. Pursuant to the relevant regulations of the PRC environmental protection law, the relevant PRC environmental authorities may impose a fine of up to RMB100,000 and order the suspension of the operation of the factory for failing to comply with the inspection and approval procedures. Owing to our operation requirements, we expect to relocate the Fengtai factory in December 2007. As at the Latest Practicable Date, we had not been fined nor had any action been taken or threatened to be taken against us for the non-compliance described above.

Save as disclosed above, we have not been subject to any sanctions by PRC environmental authorities for non-compliance with respect to our production and facilities since our inception. As we are primarily a service provider, we are not considered an oil exploration and production company and thus not subject to the regulations specific to oil exploration and production companies.

During the sucker rod coupling, tubing coupling and tubing test pressurization production process, small quantities of alkali treatment fluid, phosphoric fluid and waste water which contains traces of petroleum/oil, are produced. If such waste or by-products are discharged directly and indiscriminately to the environment, it could result in water and ground pollution.

In order to comply with the applicable environmental protection laws and regulations, we have taken specific measures such as: (i) constructing a neutralization pond/facility to neutralize the caustic fluid wash until the fluid reaches an acceptable PH level before discharging the fluid; (ii) storing the phosphoric fluid in a tank and utilizing the cool and dry Xinjiang environment to cause the fluid to evaporate and dispose of the residue by burying it underground; and (iii) removing petroleum from the waste water by skimming the surface of the waste water which is allowed to stand in a pond.

We are currently focusing our efforts on improving our resources management methods to reduce our consumption of energy. To address potential future risks, we would first categorize the potential risks according to the estimated level of risk, and then put together a set of measures to handle the immediate situation, and draw up a set of management guidelines for employees or senior management to deal with different situations when they arise.

Environmental compliance is important to our operations. We strive to reduce the environmental impact from our products and processes. We dispose of solid and liquid wastes generated during our production or service processes in accordance with PRC laws and regulations, and plan to implement more environmental protection measures as our operations expand. Being a technologically advanced oilfield services company, we have been and will continue to endeavor to be in full compliance with all environmental laws and regulations applicable to our operations in China. As primarily a service provider, we are not considered a heavy polluter and our operations are not of high risk in nature, our costs relating to environmental compliance matters during the Track Record Period were immaterial.

BUSINESS

Occupational Health and Safety Program

An important factor in establishing and maintaining long-term customer relationships is having an experienced and skilled work force. In recent years, many of our customers have placed an emphasis on safety records and quality management systems of service providers. We believe that these factors will gain further importance in the future.

Our plants, working stations and various facilities have been designed to maintain a safe working environment. We provide protective uniforms and personal care products to our field employees for their personal protection. We seek to minimize our employees' exposure to certain health risk factors inherent to the oilfield services, such as dust and noise, through carefully choosing our production equipment and processes. In addition, we schedule annual physical examinations for all of our employees. We did not experience any incident of injury or death due to violation of health and safety regulations during the Track Record Period. The cost of compliance with the applicable health and safety rules and regulations for each of the three years ended December 31, 2004, 2005 and 2006, and for the six months ended June 30, 2007 was approximately RMB94,000, RMB196,000, RMB410,000 and RMB150,000, respectively. We estimate that the health and safety compliance cost for the two years ending December 31, 2007 and 2008 will be approximately RMB450,000 and RMB750,000, respectively.

We have adopted a set of safety procedures and standards, based on the specifications and guidelines set out by the PRC General Administration of Quality Supervision, Inspection and Quarantine (國家質量監督檢驗檢疫總局) and China National Accreditation Service for Conformity Assessment (中國合格評定國家認可委員會) for our employees to follow. We conduct regular and required maintenance on our equipment and work sites to ensure proper and safe working conditions are maintained. We have also bought a group accident insurance policy for our staff. At present, we are finalizing and perfecting the occupational health, safety and environment ("HSE") procedures and expect to obtain HSE certification by the end of 2008. The HSE seeks to identify occupational health and safety hazards and evaluate the impact of such risks on the environment, the Company and the employees and develop a system to reduce such risks. The adoption of the HSE management system can improve HSE performance resulting in pollution prevention, safer workplaces and fewer injuries. HSE was first developed by the oil companies in developed countries and are now widely adopted in the oil industry. In China, it is being accredited by the Beijing China Oil Health Safety Environment Accreditation Centre (北京中油健康安全環境認證中心). More customers are requiring its suppliers to hold HSE certifications, The obtaining of HSE certification is not a mandatory requirement in the PRC and it is being carried out by us on a voluntary basis, as we consider the attainment of such standard could improve our competitive strength. If we fail to obtain HSE certification after HSE Standards become widely adopted in China, our competitive position may be adversely affected.

Insurance

We maintain insurance coverage that is mandatorily required by PRC law, such as work-related injury insurance and maternity insurance for our employees except for certain temporary workers employed by Xinjiang Tong'ao, as Xinjiang Tong'ao has since November 2007 hired all its temporary workers through a labor services company which entered into labor contracts with such workers and provided their social insurance and other benefits as required by law. Our PRC legal adviser has confirmed that we have maintained insurance coverage that is mandatorily required by PRC law since the above arrangement has been made. We do not maintain product liability insurance or third party liability insurance for claims of personal injury or property damage arising from accidents relating to our operations or products or business

BUSINESS

interruption insurance as many of such insurances are not currently available in China. We believe our current level of insurance coverage is adequate and in line with the practice of oilfield services industry in China. For the three years ended December 31, 2006, our total number of employees was 202, 252 and 353, respectively.

Property

We hold the land use rights to the underlying parcel of land for our facilities located in Beijing and Xinjiang Uygur Autonomous Region. As of September 30, 2007, the total site area of the properties that we owned was approximately 1,000,523.7 sq.m.. Our existing facilities in Xinjiang Uygur Autonomous Region have a site area of approximately 132,308.6 sq.m. with a total gross floor area (“GFA”) of approximately 6,994.5 sq.m.. We have valid building ownership certificates for facilities located in such property. We have two facilities under development in Beijing and Xinjiang Uygur Autonomous Region, respectively, both of which are scheduled to be completed by mid-2008. The facilities under development in Beijing have a site area of approximately 40,168.6 sq.m. and a planned GFA of approximately 10,268.7 sq.m. and the facilities under development in Xinjiang have a site area of approximately 828,046.5 sq.m. and a planned GFA of approximately 10,498.4 sq.m.. 2,468.0 sq.m. within the Xinjiang production site have been completed and put into use, and inspection of the construction of such facilities was completed on October 8, 2007. All other facilities are still under construction and not being put into use. We occupy our owned properties for purposes of production, warehouses, offices and others. Our PRC legal advisors have advised us that there is no illegal use of land or buildings in respect of all the properties we currently occupy.

As of the Latest Practicable Date, we had not obtained the proper building ownership certificates for the buildings of the facilities under development in Beijing, and expect to obtain them upon completion of these facilities. We do not foresee any material legal impediments in obtaining the relevant building ownership certificates.

Leased property

We currently lease 20 properties with a total GFA of approximately 24,156.11 sq.m. in Beijing, Hebei Province, Sichuan Province, Xinjiang Uygur Autonomous Region and Heilongjiang province for office and other uses. None of these leases have been registered with the relevant property administration authority in the PRC. According to the opinion of our PRC legal advisors, registration is only an administrative measure of the relevant authority and it is not a condition or prerequisite for the validity of a lease agreement under PRC law. Thus, although the leases have not been registered with the relevant authority, it would not have any adverse impact on the validity of the leases.

The two production sites we own are considered the Group’s major production facilities, however the revenue generated and expected to be generated from the production facilities located on Property 20 is not included in the profit forecast for the year ending 2007. The exclusion is primarily because we expect to complete the acquisition of Hinen-Hitech in 2008. The lessors of our two leased production facilities in Beijing with a total GFA of approximately 1,782.1 sq.m. have not produced the title certificates . As the construction work of our new production plant in Huairou District, Beijing is expected to be completed in the short term, we intend to relocate these two production facilities to our new production plant once the latter is completed. We do not consider the imperfection of the lease agreements of these two production facilities as having any material impact on our operation. If we are vacated from these two production facilities prior to the relocation, Luo Lin has agreed to indemnify us against (a) the moving costs which we may incur and (b) the loss which we may suffer.

BUSINESS

In addition, there are defects in respect of the lease agreements of 13 properties we lease, with a total GFA of 6,608.4 sq.m.. We have been using these leased properties for office and dormitory purposes. Although we have occupied these leased premises in accordance with the terms of the relevant lease agreements, if any or all of these leases are found to be invalid and we are vacated from such properties during the respective terms of the lease agreements, we do not expect to have any difficulty in leasing similar spaces in the vicinity at similar rent. Thus, we do not consider that the defects in titles of the leased properties would have any material impact on our operation. In addition, Luo Lin has agreed to indemnify us against (a) the moving costs which we may incur and (b) the loss which we may suffer if we are required to vacate from such leased properties during the respective terms of the lease agreements.

We estimate the revenue from production facilities located on leased properties with title defects will be approximately 9% of the expected total revenue for the year ending 2007.

In respect of the leased properties for Hinen-Hitech and Cangzhou Hinen-Hitech, the tenancy agreements are defective. The lessor of the property leased by Hinen-Hitech, with a GFA of approximately 6,064.4 sq.m., has not obtained a Building Ownership Certificate for the property. As a result, the tenancy agreement for this property may be adjudicated as being invalid when there is a dispute. Luo Lin has agreed to indemnify us against (a) the moving costs which we may incur and (b) the loss which we may suffer. In addition, Luo Lin has also agreed to provide Hinen-Hitech with substitute premises, if it cannot continue to occupy the property.

Cangzhou Hinen-Hitech leased the land of the property with a GFA of approximately 3,229.1 sq.m. from the Village Committee of Maying Village (the “Lessor”), and entered into a transfer agreement with Hebei Hengshen Vehicle Electronic Co., Ltd (河北衡紳汽車電子有限公司) (“Hebei Hengshen”) on September 24, 2007 (the “Transfer Agreement”). Pursuant to the transfer agreement, Cangzhou Hinen-Hitech will terminate the lease of the land and transfer the buildings on the land to Hebei Hengshen. Hebei Hengshen will, in turn, lease the land from the Lessor and permit Cangzhou Hinen-Hitech to occupy the property before Cangzhou Hinen-Hitech moves out from the property by the end of 2008. The buildings of the property were built by Cangzhou Hinen-Hitech, which did not obtain the ownership certificate for the buildings constructed. Hebei Hengshen has not obtained the relevant ownership certificate of the property and is not entitled to provide the property for occupation by Cangzhou Hinen-Hitech, and Cangzhou Hinen-Hitech’s right of occupation is not protected by law. Luo Lin has agreed to indemnify us against (a) the moving costs which we may incur and (b) the loss which we may suffer. In addition, Luo Lin has also agreed to provide Cangzhou Hinen-Hitech with substitute premises, if it cannot continue to occupy the property.

On October 1, 2007, we entered into lease agreements pursuant to which we leased properties with a total GFA of approximately 6,472.2 sq.m. in Beijing to relocate the aforesaid operations of Hinen-Hitech, Beijing Huarme and Cangzhou Hinen-Hitech. The relocations are expected to be completed between December 2007 and March 2008. The total relocation cost for the operations of Hinen-Hitech, Beijing Huarme and Cangzhou Hinen-Hitech to new leased premises and the relocation of certain operations of Anton Oil from leased premises to newly completed owned premises is estimated to be approximately RMB410,000. We expect the relocations to have minimal impact on the Group’s operations as the business is newly acquired and has not been fully integrated with the operations of the Group and we have the option of outsourcing the production.

BUSINESS

Intellectual Property Rights

We conduct significant research and development, and intellectual property protection is crucial to our business. As of the Latest Practicable Date, we had obtained 43 patents, 48 pending patent applications and 54 proprietary technologies. We will apply for patents for certain of our proprietary technologies, and will also rely on a combination of non-disclosure, confidentiality and other contractual agreements with our Directors, employees and other third parties, as well as privacy and trade secret laws to protect and limit access to and distribution of our intellectual property rights. In accordance with the Patent Law of the PRC and the Rules for the Implementation of the Patent Law of the PRC, in order to obtain a patent, it is necessary to disclose the details of the design to the public. Hence, there exist a risk that by publication of our proprietary technologies, competitors may learn, follow, reverse-engineer the technologies or process developed by us and produce derivative products. While we will apply for patent for certain of our developed technologies or processes which are difficult to replicate, we will continue to maintain certain of our proprietary technologies as trade secrets. We are a member of the Beijing Intellectual Property Alliance for Key Industries. The Beijing Intellectual Property Alliance for Key Industries was established by the Beijing Municipal Intellectual Property Office and focuses on promotion the transformation of innovation achievements and the cultivation of a batch of enterprises with intellectual property rights advantages, to enhance independent innovation resources in Beijing. Becoming a member of this alliance helped us to improve our exchange of information with other companies in the industry and establish a direct channel of communication with the regulatory authority and enhanced our intellectual property protection activities. For further details on our intellectual property rights, see “— Research and Development” and the section entitled “Intellectual Property Rights of the Group” in Appendix VIII to this prospectus.

As of the Latest Practicable Date, we were not aware of any infringement or unauthorized use of our intellectual property rights by any third party.

Inventory

We used to procure supplies only after we obtained customer orders. To ensure a more timely manner in rendering services to our customers and the growth of our business, we have adopted a new inventory policy in 2006, under which we usually procure key supplies at a level that will meet the requirement of our existing and expected customer orders for two to three months subject to our available capital resources. We expect our new inventory policy will increase our servicing capacity and enable us to complete more jobs and with quicker turnaround for our customers. More jobs and quicker turnaround will in turn increase our revenue and operating cash inflow. Although the initial adoption of our new inventory policy caused a surge in our inventory balance, we expect our inventory growth level to be commensurate our revenue growth in the future. In addition to holding inventories in our premises, we also store some of our inventories off-site at our customers' facilities. Such inventories are not insured. As of September 30, 2007, in terms of amount approximately 24.0% of our inventories were kept off site. When storing inventories off site, we maintain comprehensive records of the delivery and receipt of inventories and review our stock position on a monthly basis. We also conduct physical stock take for inventories stored off-site every six months, during which time we also require the keeper of the inventories to provide us with written confirmation of the stock of inventories. There has been no previous incident of loss of inventories stored off-site.

BUSINESS

Legal Proceedings and Compliance

As of the Latest Practicable Date, we were not involved in any litigation, arbitration or administrative proceedings that could have a material adverse effect on our financial condition or results of operations. Our PRC legal advisors have confirmed that we have obtained all the required permits and licences for our operation.

We believe that an effective internal control system is a key factor in maintaining the integrity of our business, financial results and reputation. Even though there were no incidences such as those involving fraud during the Track Record Period that would suggest that our existing internal control system is inadequate, we have engaged RSM to review the internal control procedures and system of our Group, which includes Hinen-Hitech, our newly acquired subsidiary, in preparation for the Global Offering. Based on the recommendations of RSM, we have established a new set of internal control procedures and policies which combines both the existing internal control systems of the Company and Hinen-Hitech into one, and enhances the effective features of both systems.

As confirmed by the Company, the Company has not been, and is not aware of it being, required by the competent administration on housing fund to contribute to the housing funds for its employees in 2004 and 2005, although the authority has the right to do so. It is estimated that the penalty for such non-compliance of the Company will not exceed an amount of RMB413,000. Furthermore, Luo Lin confirms that if the Company is asked by the housing fund administration to pay the overdue contribution to the housing fund for its employees in 2004 and 2005, he will unconditionally compensate the same as well as any losses suffered by the Company.

Relationship with the Controlling Shareholders and Non-competition

Upon completion of the Global Offering and the Capitalization Issue, Pro Development, which is beneficially controlled by Luo Lin, will be beneficially interested in approximately 33.34% of our issued share capital (excluding Shares to be issued pursuant to the exercise of the Over-allotment Option or Shares that may be issued pursuant to the exercise of options which may be granted under the Share Option Scheme). Pro Development and Luo Lin will be our controlling shareholders.

Neither Luo Lin, Pro Development nor any Director is interested in any business which is, whether directly or indirectly, in competition with our business. To ensure that competition will not exist in the future, Luo Lin, Pro Development and the executive Directors have entered into a non-competition agreement with us pursuant to which, each of Luo Lin, Pro Development and the executive Directors has undertaken to us that each of them will not directly or indirectly participate in, or hold any right or interest in, or otherwise be involved in any business which may be in competition with the businesses of the Company and its subsidiaries (as may be incorporated from time to time).

The non-competition agreement will lapse automatically for Luo Lin and Pro Development if each of them ceases to be a shareholder of the Company, and in respect of the executive Directors, upon them ceasing to hold office as an executive Director of the Company.

BUSINESS

In order to promote good corporate governance practices and to improve transparency, the non-competition agreement includes the following provisions:

- the independent non-executive Directors will review, at least on an annual basis, the compliance with the non-competition agreement by the controlling shareholders and the executive Directors;
- each of the Controlling Shareholders and the executive Directors has undertaken to the Company that it/he will provide all information necessary for the annual review by the independent non-executive Directors for the enforcement of the non-competition agreement;
- the Company will disclose the review by the independent non-executive Directors on the compliance with and enforcement of the non-competition agreement in the annual report of the Company or by way of announcement to the public in compliance with the requirements of the Listing Rules; and
- each of the Controlling Shareholders and executive Directors will make an annual declaration in the annual report of the Company on the compliance with the non-competition agreement in accordance with the principle of voluntary disclosure in the Corporate Governance Report.

All amounts due to/from related parties will be settled before Listing and the counter guarantees provided by Luo Lin have been released. As the Controlling Shareholders have business other than their interest in the Company, we do not consider that there will be any independence issue, and we are satisfied that we are capable of carrying out our business independent of our Controlling Shareholders.

During the Track Record Period, the amounts the Company advanced to the Directors as well as to He Zhigang and Li Man, who were senior staff of the Group, were travel expenses for business trips. Such advances were recorded as advances to these persons until all proper travel expense claims with valid receipts were submitted to the accounting department, when such expenses were charged to the income statement as other operating costs. Our PRC legal advisors have confirmed that such advances comply with all applicable PRC laws and regulations and the respective articles of association of the relevant members of the Group, and are legal and valid, and have been properly approved and documented. The amounts due from related parties arose from the series of transfers between the Group companies payable by Anton Energy to the Group as part of the Reorganization.

As the travel expense advances are legal and valid and are made for business purposes, the Group will continue such practice as needed. The payments of the Group on behalf of Anton Energy were settled in June 2007.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Our Board of Directors consists of six Directors, three of whom are executive Directors and three are independent non-executive Directors. The powers and duties of our Board of Directors include: convening shareholders' meetings and reporting the Board's work at the shareholders' meetings, implementing the resolutions passed on the shareholders' meetings, determining our business plans and investment plans, formulating our annual budget and final accounts, formulating our proposals for profit distributions and for the increase or reduction of registered capital as well as exercising other powers, functions and duties as conferred by our Memorandum and Articles of Association.

The following table sets forth certain information concerning our Directors:

Name	Age
Executive Directors	
Luo Lin	40
Ma Jian	39
Pan Weiguo	44
Independent Non-Executive Directors	
Zhang Yongyi	70
Zhu Xiaoping	58
Wang Mingcai	62

Luo Lin (羅林), aged 40, is our chairman and chief executive officer and one of our founders. Mr. Luo graduated with a bachelor's degree in well bore engineering from Southwest Petroleum Institute (西南石油學院) in 1992. He has accumulated 15 years of industry experience, including his work at the Tarim Basin Oil Field and as the deputy general manager of a subsidiary of the Southwest Petroleum Bureau (西南石油局) responsible for sales and marketing, prior to establishing Anton Oil in 2002. Mr. Luo is also qualified as a lawyer and as a chartered accountant in the PRC. Mr. Luo has not been a director of any listed companies in the three years immediately preceding the date of this prospectus.

Ma Jian (馬健), aged 39, is an executive Director of our Company and one of our founders. He graduated with a bachelor's degree in well bore drilling engineering from Jiangnan Petroleum University (江漢石油學院) in 1991. He also holds a master's degree in business administration from the Huazhong University of Science and Technology (華中科技大學). He is completing a doctoral degree at the China University of Petroleum and is a guest professor at Yangtze University (長江大學). From 1991 to 1999, he worked as a petroleum engineer at the Drilling Company in Jiangnan Oilfield (江漢油田鑽井工程處). He worked at Halliburton China from 2000 to 2002 as a well bore projects manager. He has served as a director since 2003, and is also responsible for sales and marketing in our Company. He has 16 years of experience in the petroleum industry. Mr. Ma has not been a director of any listed companies in the three years immediately preceding the date of this prospectus.

DIRECTORS AND SENIOR MANAGEMENT

Pan Weiguo (潘衛國), aged 44, is an executive Director of our Company. He graduated with a bachelor's degree in well bore drilling from Daqing Petroleum Institute (大慶石油學院) in 1984 and a master's degree in 1990. He worked as deputy chief engineer and chief engineer at China Petroleum North Petroleum Control Board Well Bore Drilling Research Institute (中石油華北石油管理局鑽井工藝研究院) from 1990 to 1996, and worked as the deputy head and head of the same from 1996 to 2006. He has 17 years of experience in the petroleum drilling industry. He is responsible for research and development and well services of our Company. He joined our Company in 2006. Mr. Pan has not been a director of any listed companies in the three years immediately preceding the date of this prospectus.

Zhang Yongyi (張永一), aged 70, is an independent non-executive Director. Mr. Zhang has a wide range of experience in the petroleum industry. He had taught in the Southwest Petroleum Institute (西南石油學院) for more than 30 years. He was appointed as the deputy general manager of CNPC in 1992. He was appointed by the State Council of the PRC as inspector (國務院稽察特派員) in 1998 and Chairman of the Supervisory Committee for State-owned Large and Medium Enterprises (國有大中型企業監事會主席) in 2000. Mr. Zhang has not been a director of any listed companies in the three years immediately preceding the date of this prospectus.

Zhu Xiaoping (朱小平), aged 58, is an independent non-executive Director. Mr. Zhu has extensive experience in corporate finance. Mr. Zhu is currently an Accounting Professor of the Renmin University of China (中國人民大學). He has served as the Director of the China Accounting Society (中國會計學會理事) and Director of the China Auditing Society (中國審計學會理事). Mr. Zhu is also a director of Beijing Wandong Medical Company Limited (北京萬東醫療設備股份有限公司), Heilongjiang Agriculture Company Limited (黑龍江北大荒農業股份有限公司) and Tibet Rhodiola Pharmaceutical Holding Company Limited (西藏諾迪康藥業股份有限公司), all of which are listed on the Shanghai Stock Exchange. Mr. Zhu is also an independent non-executive director of Sanmenxia Tian Yuan Aluminum Company Limited (Stock Code: 8253), a company listed on the Growth Enterprise Market of the Stock Exchange. Mr. Zhu was an independent director of (i) HIT Shouchuang Technology Co., Ltd. (哈工大首創科技股份有限公司), a company listed on the Shanghai Stock Exchange, between 2001 and 2005; (ii) Shenzhen Capstone Industrial Co., Ltd. (深圳大通實業股份有限公司), a company listed on the Shenzhen Stock Exchange, between 2003 and 2006, and (iii) Suntime International Vine Co., Ltd. (新天國際貿易股份有限公司), a company listed on the Shanghai Stock Exchange, between 2003 and 2004.

Wang Mingcai (王明才), aged 62, is our independent non-executive Director. Mr. Wang has previously worked as the Chief Engineer of China National Petroleum Company's department of development and production (中國石油天然氣總公司). He also held positions such as Manager of the overseas department of China National Oil & Gas Exploration and Development Corporation (中國石油天然氣勘探開發公司海外部), President of CNPC Venezuela Corporation (中油國際委內瑞拉公司), General Manager of CNPC (Hong Kong) Limited. Presently, Mr. Wang is the general manager and chairman of the board of directors of Sino-U.S. Oil Development Corporation (中美石油開發公司), and an executive director of CNPC (Hong Kong) Limited (Stock Code: 00135), a company that has been listed on the Main Board of the Stock Exchange, since 2001.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

The following table sets forth certain information concerning our senior management:

Name	Age	Position
Luo Lin	40	Chief Executive Officer
Ma Jian	39	Executive Vice President
Pan Weiguo	44	Executive Vice President
He Zhigang	34	Executive Vice President
Yang Bin	45	Executive Vice President
Li Bingnan	38	Executive Vice President
Chen Wei	42	Executive Vice President
Han Yanping	34	Executive Vice President
Shen Haihong	38	Executive Vice President
Tang Shenghe	37	Executive Vice President
He Jun	38	Chief Financial Officer
Liu Yu	28	Qualified Accountant
Ngai Wai Fung	45	Company Secretary

Ma Jian is an executive Director and executive vice president. His biography is set forth above.

Pan Weiguo is an executive Director and executive vice president. His biography is set forth above.

He Zhigang (賀志剛), aged 34, is an executive vice president and one of our founders. Mr. He graduated with a bachelor's degree in well exploration from Southwest Petroleum Institute (西南石油學院) in 1994. He graduated with a master's degree in oil and gas engineering from Southwest Petroleum Institute (西南石油學院) in 1998 and a doctoral degree in oil and gas engineering from Southwest Petroleum Institute (西南石油學院) in 2001. He worked at the Xinjiang Tuha Petroleum Well Bore Drilling Company (新疆吐哈油田鑽井公司) from 1994 to 1995. He is responsible for drilling services, including related technical support of our Company. He has 13 years of experience in the petroleum drilling industry.

Yang Bin (楊斌), aged 45, is an executive vice president. Mr. Yang graduated from the Wuhan Technical Institute (武漢工學院) with a bachelor's degree in industrial engineering. Mr. Yang has over 20 years experience in oilfield services. He was the director of the Jiangnan Oilfield Design Institute (江漢油田設計院) and was a project manager and senior engineer of CNPC International Exploration Development Limited (中石油國際石油勘探開發有限公司) before joining us in February 2007. Mr. Yang is responsible for the management of our oilfield services equipment and the manufacturing and logistics center.

Li Bingnan (李冰南), aged 38, is our executive vice president. Mr. Li graduated with a bachelor's degree in well bore engineering from Jiangnan Petroleum University (江漢石油學院) in 1991. Between 1991 and 2002, Mr. Li was employed by Jiangnan Oil Bureau and in 2000, he was appointed as a manager for the environmental protection plant of the Jiangnan Oil Bureau. He has more than 16 years of experience in the oil and gas industry. Mr. Li is responsible for oilfield services in our Company. Mr. Li joined our Company in 2002.

DIRECTORS AND SENIOR MANAGEMENT

Chen Wei (陳偉), aged 42, is an executive vice president. Mr. Chen graduated from the Southwest Petroleum Institute (西南石油學院) with a degree in oil exploration engineering. Mr. Chen has over 20 years experience in oilfield services. He was responsible for the organization of production and technical management of Sichuan Petroleum Administration Bureau Chuan Zhong Oil and Gas Company (四川石油管理局川中油氣公司). He joined us in 2002 and is responsible for our sales management in the Southwestern District of the PRC.

Han Yanping (韓燕平), aged 34, is an executive vice president. Mr. Han graduated from the Central Petroleum College (中原石油學校) in oil and gas geology and exploration and undertook a masters degree in business administration course in the Beijing Aerospace University (北京航天航空大學). Mr. Han worked as a production supervisor in the Tarim oilfield and joined Foyou Tech in 2001. Mr. Han is responsible for our sales management in the Northeastern District of the PRC.

Shen Haihong (沈海洪), aged 38, is an executive vice president. Mr. Shen graduated from the Southwestern Petroleum Institute with a bachelor degree in well exploration engineering and obtained his MBA degree from the Qinghua University. Mr. Shen has over 16 years experience in oil exploration work, having worked as the deputy general manager of the Toha Oil Well Drilling Company (吐哈石油鑽井公司), and as the deputy director of the Enterprises Department of the Toha Directorate (吐哈指揮部企管處). Mr. Shen joined us in January 2007 and is responsible for our operation management.

Tang Shenghe (湯勝河), aged 37, is an executive vice president. Mr. Tang graduated from the Anhui University (安徽大學) with a bachelor degree in economics and obtained a master's degree in law from the Capital Economic and Trade University (首都經濟貿易大學). Mr. Tang has close to 10 years of experience in accounting and finance and is responsible for finance and investment management. Mr. Tang worked as a director of the Ministry of Agriculture Zhonglong Certified Public Accountants (農業部中龍會計師事務), and was a senior manager of Ernst & Young. He was also the chief accountant and deputy general manager of Beijing Caike Pharmaceutical (北京賽科藥業) and a deputy general manager of Beijing Pharmaceutical Group (北京醫藥集團) before joining us in January 2007.

He Jun (何軍), aged 38, is our chief financial officer. Mr. He graduated with masters degree in business administration from the University of Massachusetts in 1997. Mr. He has 10 years of experience in the finance and investment industry. He was Vice President at Citigroup Global Markets Asia before joining us in 2007. Prior to then, he worked as an equity research analyst at other international brokerage and asset management companies. He graduated from Beijing Broadcasting Institute (currently known as Communications University of China) with a bachelor's degree in 1992.

MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, the Company must have a sufficient management presence in Hong Kong. This normally means that at least two of the executive Directors must be ordinarily resident in Hong Kong. Our business and operation are primarily located, managed and conducted in the PRC. Substantially all of our customers are also located in the PRC. None of the executive Directors are ordinarily based in Hong Kong. The Company does not and, in the foreseeable future, will not have any management presence in Hong Kong.

DIRECTORS AND SENIOR MANAGEMENT

Accordingly, the Company has applied to the Stock Exchange for a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules. In order to maintain effective communication with the Stock Exchange, the Company will put in place the following measures in order to ensure that regular communication is maintained between the Stock Exchange and the Company:

- (a) The Company has appointed two authorized representatives pursuant to Rule 3.05 of the Listing Rules, who will act as the Company's principal channel of communication with the Stock Exchange and ensure that the Group comply with the Listing Rules at all times. The two authorized representatives are Luo Lin, an executive Director, and Ngai Wai Fung, our company secretary. Mr. Ngai is ordinarily resident in Hong Kong. Each of the authorized representatives will be available to meet with the Stock Exchange within a reasonable time frame upon the request of the Stock Exchange and will be readily contactable by telephone and facsimile. Each of the two authorized representatives is authorized to communicate on behalf of the Company with the Stock Exchange. Mr. Ngai will also be authorized to accept service of legal process and notices in Hong Kong on behalf of the Company.
- (b) Each of the authorized representatives has means to contact all members of the board of Directors (including the independent non-executive Directors) and of the senior management team promptly at all times as and when the Stock Exchange wishes to contact the Directors for any matters. To enhance the communication between the Stock Exchange/the authorized representatives and the Directors, the Company will implement a policy that (a) each executive Director and independent non-executive Director will have to provide their respective mobile and office phone numbers, residential phone numbers and fax numbers and email addresses, if applicable, to the authorized representatives and his or her alternates; (b) in the event that an executive Director or independent non-executive Director expects to travel and be out of office, he/she will have to provide the phone number of the place of his/her accommodation to the authorized representatives; and (c) all the executive Directors, independent non-executive Directors and authorized representatives will provide their mobile phone numbers, residential phone numbers, office phone numbers and fax numbers and email addresses, if applicable to the Stock Exchange.
- (c) In addition, all Directors will provide their mobile phone numbers, residential phone numbers, office numbers, fax numbers and email address to the Stock Exchange to ensure that they will be readily contactable when necessary to deal promptly with enquiries from the Stock Exchange.
- (d) Furthermore, all executive Directors who are not ordinarily resident in Hong Kong have confirmed that they possess valid travel documents to visit Hong Kong for business purpose and would be able to come to Hong Kong and meet the Stock Exchange upon reasonable notice.

In compliance with Rule 3A.19 of the Listing Rules, the Company will appoint Guotai Junan Capital Limited as the compliance adviser of the Company to act as the alternate channel of communication with the Stock Exchange for the period commencing on the Listing Date and ending on the date on which the Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the Listing Date.

DIRECTORS AND SENIOR MANAGEMENT

Company Secretary

Ngai Wai Fung, aged 45, is the Company Secretary of the Company. Mr. Ngai is a director and head of listing services of KCS Limited, a leading corporate services provider of corporate accounting and corporate secretarial services. Mr. Ngai is currently a vice president of the Hong Kong Institute of Chartered Secretaries and the chairman of its China Affairs Committee. He is also a fellow of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom and a member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. Mr. Ngai holds a master's degree in corporate finance from the Hong Kong Polytechnic University, a master's degree in business administration from Andrews University, the United States and a bachelor degree in law (with honours) from the University of Wolverhampton, the United Kingdom.

Qualified Accountant

Liu Yu (劉瑜), aged 28, served as our qualified accountant pursuant to Rule 3.24 of the Hong Kong Listing Rules. Ms. Liu is employed by us on a full-time basis and is a member of our senior management. Ms. Liu is a professional accountant, a member of the American Institute of Certified Public Accountants, an associate of the National Institute of Accountants and an associate of the Institute of Financial Accountants. Prior to joining us, Ms. Liu worked as the qualified accountant of China Shenhua Energy Company Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: (1088)), and as an auditor at SF Partnership LLP and PricewaterhouseCoopers. Ms. Liu graduated from Renmin University (人民大學) with a bachelor's degree in finance and holds a master's degree in management and professional accounting from the University of Toronto.

BOARD COMMITTEES

Audit Committee

We established an audit committee on November 17, 2007 with effect from the Listing with written terms of reference in compliance with the Listing Rules. The primary duties of the audit committee are, among other things, to review and supervise our financial reporting process and internal control systems.

The audit committee comprises three members, namely Zhu Xiaoping, Zhang Yongyi and Wang Mingcai, all of whom are independent non-executive Directors. The audit committee is chaired by Zhu Xiaoping.

Remuneration Committee

We established a remuneration committee on November 17, 2007 with effect from the Listing. The primary duties of the remuneration committee are to evaluate and make recommendations to our Board regarding the compensation of the Chief Executive Officer and other executive Directors. In addition, the remuneration committee conducts reviews of the performance, and determines the compensation structure of our senior management.

The current members of the remuneration committee are Wang Mingcai and Zhu Xiaoping and Luo Lin. The remuneration committee is chaired by Wang Mingcai.

DIRECTORS AND SENIOR MANAGEMENT

Nomination Committee

We established a nomination committee on November 17, 2007 with effect from the Listing to make recommendations to our Board regarding candidates to fill vacancies on our Board.

The current members of the nomination committee are Zhang Yongyi, Wang Mingcai and Luo Lin. The nomination committee is chaired by Zhang Yongyi.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

We reimburse our Directors for expenses which are necessarily and reasonably incurred for providing services to us or executing their functions in relation to our operations. The executive Directors are also our employees and receive, in their capacity as our employees, compensation in the form of salaries and other allowances and benefits in kind.

The aggregate amount of salaries and other allowances paid by us to our five highest paid individuals during the years ended December 31, 2004, 2005 and 2006 was approximately RMB279,000, RMB451,000 and RMB676,000, respectively. Approximately RMB9,000, RMB15,000 and RMB18,000 were paid by us as our contribution to the pension schemes in respect of such individuals during the relevant periods. We will continue to pay our contribution to the pension schemes of such individuals at the same level after the completion of the Global Offering.

Except as disclosed above, no other payments have been made or are payable, in respect of the years ended December 31, 2004, 2005 and 2006, by us or any of our subsidiaries to or on behalf of our five highest paid individuals.

During the years ended December 31, 2004, 2005 and 2006, the aggregate amount of salaries and other allowances, pension scheme contributions paid by us to all of our Directors was approximately RMB162,000, RMB200,000, and RMB384,000, respectively. Salaries paid to the Directors during the three years ended December 31, 2004, 2005 and 2006 have been relatively low compared to certain other listed companies, as (i) the Directors are also shareholders in the Company and receive dividend payments as well as salaries, and (ii) the Directors wish to grow the business by minimizing the operating costs.

Except as disclosed above, no other payments have been made or are payable, in respect of the years ended December 31, 2004, 2005 and 2006, by us or any of our subsidiaries to or on behalf of any of our Directors.

The Company has adopted the Pre-IPO Share Option Scheme. Under the Pre-IPO Share Option Scheme, certain members of the senior management of the Group have been granted options to acquire Shares. The principal terms, particulars of the grantees of the options under and the effect of the Pre-IPO Share Option Scheme are summarised in the paragraph headed "Pre-IPO Share Option Scheme in Appendix VIII to this prospectus.

Save for the adoption of the share option scheme of the Company in accordance with Chapter 17 of the Listing Rules, the existing remuneration policy for Directors and senior management of the Company will continue after listing. The determination of the remuneration of the Directors and senior management of our Company is based on the individual performance, the nature and responsibilities of the executive concerned and the performance of our Group and market condition. Proposals for increase in remuneration, payment of discretionary bonus or adjustment to any benefits scheme will be approved by the remuneration committee

DIRECTORS AND SENIOR MANAGEMENT

of the Board. The Company will also periodically review and assess its human resource requirements and the prevailing market trend and make appropriate adjustments. Under the arrangements currently in force, we estimate the aggregate remuneration, excluding discretionary bonus, of our Directors payable for the year ending December 31, 2007 to be approximately RMB1.38 million. Further information about the remuneration of the Directors and the service agreement entered into between the Company and the Directors is set out in the paragraphs headed “Particulars of service contracts” and “Directors’ remuneration” in Appendix VIII to this prospectus.

COMPLIANCE ADVISER

We will, prior to Listing Date, appoint Guotai Junan Capital Limited (“Guotai Junan”) as our compliance adviser upon listing of our Shares on the Stock Exchange in compliance with Rule 3A.19 of the Listing Rules. We will enter into a compliance adviser’s agreement with Guotai Junan, the material terms of which are summarized as follows:

- (a) we will appoint Guotai Junan as our compliance adviser for the purpose of Rule 3A.19 of the Listing Rules for a period commencing on the date of listing of our Shares on the Stock Exchange and ending on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the financial year ending December 31, 2007, or until the agreement is terminated, whichever is earlier;
- (b) Guotai Junan shall provide us with services, including guidance and advice as to compliance with the requirements under the Listing Rules and applicable laws, rules, codes and guidelines, and to act as one of our principal channels of communication with the Stock Exchange;
- (c) we will indemnify Guotai Junan for certain actions against it and losses incurred by it arising out of or in connection with the performance by Guotai Junan of its duties under the agreement; and
- (d) we may terminate the appointment of Guotai Junan as our compliance adviser only if its work is of an unacceptable standard as determined under the Listing Rules and the relevant laws and regulations or if there is a material dispute (which cannot be resolved within 30 days) over fees payable to it as permitted by Rule 3A.26 of the Listing Rules. Guotai Junan will have the right to resign or terminate its appointment by service of a three-month notice to us if we materially breach the agreement.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

- (a) So far as our Directors are aware, the following persons will, immediately following the completion of the Global Offering and the Capitalization Issue and taking no account of any shares which may be issued pursuant to the exercise of the Over-allotment Option, have beneficial interests or short positions in any of our Shares or underlying Shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long positions in the Shares and underlying shares of the Company

Name of shareholder	Capacity in which interests are held	Interests in Shares	Approximate percentage shareholding	Notes
Luo Lin	Interest of a controlled corporation	689,146,150	33.34%	1
Pro Development	Beneficial owner	689,146,150	33.34%	
Erdos	Beneficial owner	375,000,000	18.14%	
China Harvest Fund, L.P.	Interest of a controlled corporation	375,000,000	18.14%	2
China Renaissance Capital Investment, L.P.	Interest of a controlled corporation	375,000,000	18.14%	3
Forever Mark Group Limited	Beneficial owner	248,608,560	12.03%	
Chengwei	Beneficial owner	146,644,740	7.09%	
Chengwei Ventures Evergreen Fund, LP	Interest of a controlled corporation	146,644,740	7.09%	4
Chengwei Ventures Evergreen Management, LLC	Interest of a controlled corporation	146,644,740	7.09%	5
EXL Holdings LLC	Interest of a controlled corporation	146,644,740	7.09%	6
Eric Xun Li	Interest of controlled corporation	146,644,740	7.09%	7
Yijing Zhu Li	Interest of spouse	146,644,740	7.09%	8

Notes:

- Pro Development is held by Avalon Assets Limited, which is in turn held by Credit Suisse Trust Limited (“Credit Suisse Trust”) acting as trustee of the Loles Trust. The Loles Trust is an irrevocable discretionary trust set up by Luo Lin as settlor and Credit Suisse Trust as trustee on November 16, 2007. The beneficiaries under the Loles Trust are Luo Lin and his family members.
- China Harvest Fund, L.P. holds approximately 97.83% issued share capital in Erdos and therefore, China Harvest Fund, L.P. is deemed or taken to be interested in the 375,000,000 Shares which are beneficially owned by Erdos for the purposes of the SFO.
- China Renaissance Capital Investment, L.P. is the general partner of China Harvest Fund, L.P. and therefore, China Renaissance Capital Investment, L.P. is deemed or taken to be interested in the 375,000,000 shares which are beneficially owned by Erdos for the purposes of the SFO.
- Chengwei Ventures Evergreen Fund, LP holds approximately 83.7% issued share capital in Chengwei and therefore, Chengwei Ventures Evergreen Fund, LP is deemed or taken to be interested in the 146,644,740 Shares which are beneficially owned by Chengwei for the purposes of the SFO.
- Chengwei Ventures Evergreen Management, LLC is the general partner of Chengwei Ventures Evergreen Fund, LP and therefore, Chengwei Ventures Evergreen Management, LLC is deemed or taken to be interested in the 146,644,740 Shares which are beneficially owned by Chengwei for the purposes of the SFO.

SUBSTANTIAL SHAREHOLDERS

6. EXL Holdings LLC holds over one third of the voting rights of Chengwei Ventures Evergreen Management, LLC and therefore, EXL Holdings LLC is deemed or taken to be interested in the 146,644,740 Shares which are beneficially owned by Chengwei for the purposes of the SFO.
7. Eric Xun Li holds over one third of the voting rights of EXL Holdings LLC and therefore, he is deemed or taken to be interested in the 146,644,740 Shares which are beneficially owned by Chengwei for the purposes of the SFO.
8. Yijing Zhu Li is Eric Xun Li's spouse and is deemed or taken to be interested, for the purposes of the SFO, 146,644,740 Shares which are beneficially owned by Chengwei.

If the Over-allotment Option is fully exercised, the shareholding held by each of Luo Lin, Pro Development, Erdos, Forever Mark Group Limited and Chengwei will be approximately 32.12%, 32.12%, 17.48%, 11.59% and 6.84%, respectively.

- (b) As at the Latest Practicable Date, so far as is known to the Directors, the following person was interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group or had option in respect of such capital:

<u>Name of shareholder</u>	<u>Name of company</u>	<u>Approximate percentage shareholding</u>
王世宏 (Wang Shihong)	Xiguan Antong	49%

Except as disclosed in this prospectus, our Directors are not aware of any person who will, immediately following the completion of the Global Offering, be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group, our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

SHARE CAPITAL

AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of the share capital of the Company in issue and to be issued as fully paid or credited as fully paid immediately before and after the completion of the Global Offering (without taking into account the exercise of the Over-allotment Option):

	<u>HK\$</u>
Authorized share capital:	
3,500,000,000 Shares of HK\$0.10 each	350,000,000
Issued share capital:	
1,000,000 Shares in issue as of the date of this prospectus.	100,000
Shares to be issued:	
1,546,250,000 Shares to be issued pursuant to the Capitalization Issue	154,625,000
520,000,000 Shares to be issued pursuant to the Global Offering	52,000,000
Total issued and to be issued share capital:	
2,067,250,000 Shares	206,725,000

ASSUMPTIONS

The above table assumes that the Global Offering becomes unconditional and does not take into account the Shares which may be issued pursuant to any exercise of the Over-allotment Option. If the Over-allotment Option is exercised in full, then 78,000,000 additional Shares will be issued resulting in a total enlarged issued share capital of 2,145,250,000 Shares with a nominal value of HK\$0.10.

RANKING

The Shares are ordinary shares in the share capital of the Company and rank equally with all Shares currently in issue or to be issued and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus save for the entitlement under the Capitalization Issue.

PRE-IPO SHARE OPTION SCHEME AND SHARE OPTION SCHEME

On October 1, 2007, the Company conditionally adopted the Pre-IPO Share Option. On November 17, 2007, the Company conditionally adopted the Share Option Scheme. Summaries of the principal terms of each of the Pre-IPO Share Option Scheme and the Share Option Scheme are set out in the paragraph “Pre-IPO Share Option Scheme” and “Share Option Scheme” respectively in Appendix VIII of this prospectus.

SHARE CAPITAL

GENERAL MANDATE TO ISSUE SHARES

Subject to the conditions stated in “Structure of the Global Offering — Conditions of the Global Offering,” our Directors have been granted a general mandate to allot, issue and deal with Shares with an aggregate nominal value of not more than the sum of: (i) 20% of the aggregate nominal value of the share capital of the Company in issue immediately following the completion of the Global Offering and the Capitalization Issue, excluding Shares which may be issued upon the exercise of the Over-allotment Option; and (ii) the aggregate nominal value of the share capital of the Company repurchased by us (if any).

This general mandate to issue Shares will expire:

- at the end of our next annual general meeting;
- at the end of the period within which we are required by any applicable law or our Articles of Association to hold our next annual general meeting; or
- when varied or revoked by an ordinary resolution of our shareholders in general meeting,

whichever is the earliest.

For further details of this general mandate, please refer to “Further information about the Company — Written resolutions of the shareholders of the Company” in Appendix VIII.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the conditions stated in “Structure of the Global Offering — Conditions of the Global Offering,” our Directors have been granted a general mandate to exercise all our powers to repurchase Shares with a total nominal value of not more than 10% of the aggregate nominal value of our share capital in issue immediately following completion of the Global Offering, excluding Shares which may be issued upon the exercise of the Over-allotment Option.

This general mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares are listed (and which is recognized by the SFC and the Stock Exchange for this purpose), and made in accordance with all applicable laws and the requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in “Share Repurchase Mandate” in Appendix VIII.

This general mandate to repurchase Shares will expire:

- at the end of our next annual general meeting;
- at the end of the period within which we are required by any applicable law or our Articles of Association to hold our next annual general meeting; or
- when varied or revoked by an ordinary resolution of our shareholders in general meeting,

whichever is the earliest.

FINANCIAL INFORMATION

The following discussion of our financial condition and results of operations should be read in conjunction with our audited combined financial information as of and for each of the three years ended December 31, 2006 and the six months ended June 30, 2007, including the notes thereto, included in Appendix I and the consolidated financial information of Hinen-Hitech as of and for each of the three years ended December 31, 2006 and the six months ended June 30, 2007, including the notes thereto, included in Appendix II of this prospectus. The financial statements have been prepared in accordance with the IFRS, which differ in certain material respects from generally accepted accounting principles in other jurisdictions, including the United States. The following discussion contains certain forward-looking statements that involve risks and uncertainties. Our future results could differ materially from those discussed below as a result of various factors, including those set forth under “Risk Factors” and elsewhere in this prospectus.

OVERVIEW

We believe that we are one of the leading non-government-owned providers of onshore oilfield services in China in terms of revenue. According to the Peking University Report, which we commissioned, there are over 1,200 non-government-owned oilfield services providers in China, which, in total, share approximately 10% of the oilfield services market in China. Based on our 2006 revenue, we had approximately 1.2% share of the fragmented non-government-owned oilfield services market. We provide high-end oilfield services and products in the areas of well services, drilling services, production services and field services.

For the years ended December 31, 2004, 2005 and 2006 and the six months ended June 30, 2007, our revenue was RMB80.1 million, RMB149.2 million, RMB247.0 million and RMB174.0 million, respectively, while our net profit attributable to equity holders of the Company was RMB26.2 million, RMB43.8 million, RMB76.7 million and RMB42.4 million, respectively. Between 2004 and 2006, our profit attributable to equity holders of the Company grew at a CAGR of 71.0%. The following table presents our selected financial data as of and for the years ended December 31, 2004, 2005 and 2006 and as of and for the six months ended June 30, 2006 and 2007.

	Year ended December 31,			Six months ended June 30,	
	2004	2005	2006	2006	2007
	(Unaudited)				
	(RMB in thousands)				
Revenue	80,053	149,225	246,951	38,800	174,020
Other income, net	355	104	1,987	188	266
Operating costs	<u>(53,929)</u>	<u>(101,406)</u>	<u>(164,104)</u>	<u>(36,267)</u>	<u>(127,363)</u>
Operating profit.	26,479	47,923	84,834	2,721	46,923
Finance costs, net	<u>(172)</u>	<u>(556)</u>	<u>(1,384)</u>	<u>(275)</u>	<u>(1,516)</u>
Profit before income tax	26,307	47,367	83,450	2,446	45,407
Income tax expense	<u>(96)</u>	<u>(1,623)</u>	<u>(4,953)</u>	<u>(289)</u>	<u>(3,772)</u>
Profit for the year/period	<u><u>26,211</u></u>	<u><u>45,744</u></u>	<u><u>78,497</u></u>	<u><u>2,157</u></u>	<u><u>41,635</u></u>

FINANCIAL INFORMATION

	Year ended December 31,			Six months ended June 30,	
	2004	2005	2006	2006	2007
	(Unaudited)				
	(RMB in thousands)				
Attributable to:					
Equity holders of the Company . . .	26,211	43,792	76,651	2,221	42,352
Minority interests	—	1,952	1,846	(64)	(717)
Dividends	500	15,500	—	—	—

	Year ended December 31,			Six months ended June 30,	
	2004	2005	2006	2006	2007
	(Unaudited)				
	(RMB in thousands, except for percentages)				
Other financial data:					
EBITDA ⁽¹⁾	27,842	49,456	90,317	5,284	50,890
EBITDA margin ⁽²⁾	34.8%	33.1%	36.6%	13.6%	29.2%
Operating profit margin	33.1%	32.1%	34.4%	7.0%	27.0%
Net profit margin	32.7%	30.7%	31.8%	5.6%	23.9%

	As of December 31,			As of June 30,	
	2004	2005	2006	2006	2007
	(RMB in thousands)				
Selected balance sheet items					
Inventories	12,333	8,708	50,115	39,811	
Trade and notes receivables	32,658	79,308	197,799	247,068	
Cash and cash equivalents	11,509	10,205	46,137	35,183	
Trade payables	19,384	19,196	26,929	21,709	
Equity attributable to the Company's equity holders	51,128	95,284	302,879	345,231	

(1) EBITDA is defined as profit for the year/period plus finance costs, net income tax expense and depreciation and amortization. EBITDA is not a standard measure under IFRS or other generally accepted accounting principles. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. EBITDA does not account for taxes, interest expense or other non-operating cash expenses. In evaluating EBITDA, we believe that investors should consider, among other things, the components of EBITDA such as sales and operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. We included EBITDA because we believe it is a useful supplement to cash flow data as a measure of our performance and our ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare our EBITDA to EBITDA presented by other companies because not all companies use the same definition.

(2) EBITDA margin is calculated by dividing EBITDA by revenue.

FINANCIAL INFORMATION

BASIS OF PRESENTATION

Our combined financial statements present our combined results of operations, cash flows and financial position as if our current group structure had been in existence since January 1, 2004 or since the respective dates of incorporation/establishment or acquisition, whichever is later. All significant intra-group transactions balances have been eliminated on combination.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Demand for oil and natural gas in China. Our results of operations are affected by demand for oil and natural gas and the national energy policies in China, which determine the level of activities in oil and gas exploration, development and production in China. Demand for oil and natural gas in China is expected to remain strong as China becomes more industrialized. China increased its import of crude oil to 171.6 million tonnes in 2005 from 97.5 million tonnes in 2000. To maintain the healthy growth of its economy, the PRC government is expected to support active oilfield exploration and development in China in the foreseeable future.

In addition, the current trend and strategy toward oilfield services outsourcing by major PRC oil companies, if sustained, are expected to have a direct positive impact on our industry and us in terms of market size and revenue growth potential. Accordingly, any significant change in the general demand for oil and natural gas in China, the PRC government's energy policy or the business strategies of major PRC oil companies may significantly impact the need for our services and products, thus affect our revenue and financial condition.

Development of oilfields in China. The development of oilfields in China includes the discovery of new oilfields, the expansion of the operations in existing oilfields and the development of marginal oilfields. The current overall level of exploration in China is far below that of other oil producing countries such as the United States, which offers greater potential for discovering new oilfields, and more growth opportunities for both the oil companies and oilfield services providers in China. The development of oilfields in China will increase the demand for oilfield services and related products, which we expect to have a positive impact on our results of operations. Conversely, a lack of new development of oilfields in China may dampen the demand for oilfield services and intensify the competition among the existing service providers in China, thus adversely affecting our results of operations. In addition, we expect to gain more customers and increase our market share in the oilfield services industry as more oil and natural gas companies are established, due to the gradual liberalization of the PRC oil and natural gas prospecting rights regime.

Servicing capacity. The demand for high-end oilfield services in China has exceeded the supply of such services in recent years. We operated at full or close to full servicing capacity in the past. Under the current market conditions, the key constraint on our business performance and growth is our servicing capacity. As a result, we need to increase our servicing capacity in order to meet market demand and grow our business. Our ability to increase our servicing capacity will be crucial to our success in gaining market share and increasing revenue.

Development of new products, technologies and applications. Our future results of operations depend, to a significant extent, on our ability to develop and introduce new products and services, including new

FINANCIAL INFORMATION

technologies and new applications of existing technologies. The development of new products, technologies and applications would further diversify our product and service offerings, improve our competitive position and expand our revenue sources. If we fail to timely develop and offer new products and services that suit market needs, our revenue, operating cash flow and competitive position may be adversely affected.

Acquisitions. As one of our key strategies, we intend to continue to acquire high-quality, compatible assets and services which complement the scope and quality of our portfolio of products and services. Successful implementation of our acquisition strategy will improve our competitive position and facilitate future growth, while our results of operations and business prospect may be materially adversely affected if we fail to identify suitable targets for acquisition or fail to execute the acquisitions or integrate the targets as planned.

Seasonality. Historically, our revenue was higher during the fourth quarter of the year due to a number of factors. The oilfield services industry typically has a revenue collection cycle of three to six months due to the nature of oil exploration and production operations, and more product and service deliveries and collections tend to occur in the fourth quarter. Also, most of our customers are state-owned enterprises, which typically set an annual budget early in the year while incur more capital expenditures and other purchases later in the year, especially in the fourth quarter.

Cost of Materials. Cost of materials, including raw materials, parts and consumables, accounts for a major portion of our operating costs. Our material requirements are affected by the changes in our product and service mix as well as fluctuations in commodity prices such as steel and nonferrous metals, which affect the prices of drill pipe and coating materials. As we expand our business, we expect our demand for materials, parts and consumables will increase.

Corporate Income Taxation. We are subject to the PRC corporate income tax rate of 33% except certain subsidiaries that enjoy tax benefits granted to high-tech enterprises under the relevant PRC tax laws and regulations, which reduce their income tax rates to 0% to 7.5%. There is no assurance that we will continue to enjoy these tax benefits in the future. Pursuant to the new Enterprise Income Tax Law of the PRC promulgated on March 16, 2007, the PRC corporate income tax rate is expected to decrease from 33% to 25% starting January 1, 2008.

Our profit for the relevant period may increase or decrease upon the grant or expiration of such tax benefits to our subsidiaries.

ACQUISITION OF BEIJING HINEN-HITECH PETROLEUM TECHNOLOGY DEVELOPMENT CO., LTD

In November 2007, we acquired a 100% ownership interest in Hinen-Hitech for a price of RMB149.0 million adjustable based on Hinen-Hitech's actual net profit in 2007. Hinen-Hitech primarily engages in providing sand control and related oilfield services and products and had been supplying us sand screens prior to the acquisition. We have paid RMB31,000,000 and will pay RMB80,500,000 within one year from the closing and additional RMB37,500,000 within two years from the closing. As part of the same transaction, we paid RMB1.0 million in cash to acquire a 100% ownership interest in an affiliated company of Hinen-Hitech, Beijing Huarme Petroleum Technology Co., Ltd. (北京華瑞美爾石油科技發展有限公司).

FINANCIAL INFORMATION

The audited financial information of Hinen-Hitech for the years ended December 31, 2004, 2005 and 2006 and the six months ended June 30, 2007 is included in “Accountants’ Report for Beijing Hinen-Hitech Petroleum Technology Development Co., Ltd.” as set forth in Appendix II to this prospectus. Hinen-Hitech’s accounts will be consolidated into our accounts starting from the completion of the acquisition. We consider that Hinen-Hitech is one of our major subsidiaries and will have a significant impact on our results of operation and financial condition. We expect Hinen-Hitech to become our production center for sand control products and plan to package its products with our well services and promote them via our sales and marketing channels.

As of June 30, 2007, Hinen-Hitech had total assets of RMB65.1 million, of which RMB59.0 million were current assets in the form of inventories, trade receivables, prepayments and other receivables and cash and cash equivalent. As of June 30, 2007, Hinen-Hitech had total liabilities of RMB13.4 million, comprising primarily trade and other payables of RMB9.4 million and current income tax liabilities outstanding of RMB2.4 million. We expect to settle these payables and tax liabilities in the ordinary course of business.

During the Track Record Period, the revenue of Hinen-Hitech increased significantly primarily due to (i) the strong market demand for its sand screens as the number of horizontal wells increased substantially in China in recent years; and (ii) its sand screens were competitively priced as compared to similar products manufactured by overseas producers, which contributed to its increased export sales during the relevant periods.

As of June 30, 2007, Hinen-Hitech had trade receivables in the amount of RMB31.7 million. As of September 30, 2007, 62.2% of its trade receivables had been collected. As of the same date, Hinen-Hitech had trade receivables of approximately RMB1.8 million aged over one year, of which approximately RMB1.0 million arose from a commercial dispute with a customer who defaulted and an impairment provision for the full amount was provided; approximately RMB0.5 million were retention money which will be collected upon the expiry of relevant contract term; approximately RMB0.3 million were overdue customer accounts, which Hinen-Hitech had been actively collecting and approximately RMB0.2 million were collected as of September 30, 2007.

As of June 30, 2007, Hinen-Hitech had prepayments and other receivables of approximately RMB20,000 aged over one year, which was rental deposit for its office premise in Beijing.

CRITICAL ACCOUNTING POLICIES

Critical accounting policies and estimates are those accounting policies and estimates that involve significant judgments and uncertainties and potentially yield materially different results under different assumptions and conditions. Our combined financial statements have been prepared in accordance with IFRS, which requires that we adopt accounting policies and make estimates that, we believe, are the most appropriate in the circumstances for the purposes of giving a true and fair view of our results and financial

FINANCIAL INFORMATION

condition. Estimates and judgments are based on historical experience, prevailing market conditions and rules and regulations, and are reviewed on a continual basis taking into account the changing environment and circumstances. The critical accounting policies adopted and estimates made in preparation of our financial statements are set out as follows:

Revenue recognition. Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of our business. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating intra-group sales. We recognize revenue when the amount of revenue can be reliably measured, and it is probable that future economic benefits will flow to us and specific criteria have been met as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved.

(i) *Sales of goods*

Revenue associated with sucker rods, oil pumps and other goods is recognized when the title to the goods has been passed to the customer, which is at the date when the customer receives and accepts the goods and collectibility of the related receivables is reasonably assumed. Sales of goods acquired for resale, such as sucker rods, oil pumps and other goods, at a mark-up, are recognized on a gross basis as we are acting as a principal when contracting with customers for the supply of goods and have exposure to all the significant benefits and risks associated with the selling price, inventory and end user credit.

(ii) *Sales of services*

Sales of services are recognized in the accounting period in which the services are rendered. If the service is provided across the balance sheet dates and the outcome of the service can be estimated reliably, revenue associated with the service is recognized in accordance with IAS 18. Under IAS 18, revenue from service contracts is recognized under the percentage-of-completion (POC) method. Under POC method, revenue is generally recognized based on the services performed to date as a percentage of the total services to be performed.

(iii) *Lease income*

Operating lease income is recognized over the term of the lease, based on the standard unit charge prescribed in the lease contracts, number of equipment leased out and the duration of lease period. All contracts are only for one year which are finished by the balance sheet date.

(iv) *Interest income*

Interest income is recognized on a time-proportion basis using the effective interest method.

(v) *Dividend income*

Dividend income is recognized when the right to receive payment is established.

Property, plant and equipment. Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and accumulated impairment losses.

FINANCIAL INFORMATION

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to us and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

	<u>Estimated useful life</u>
Buildings	5 - 50 years
Machinery and equipment	10 years
Motor vehicles	10 years
Furniture, fixtures and others	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

No depreciation is provided for construction in progress until they are completed and ready for use.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gain and losses on disposals are determined by comparing proceeds with carrying amount and are recognized within other losses/gains in the income statements.

Deferred income tax. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Trade and other receivables. Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision made for impairment of these receivables. A provision for impairment of receivables is established when there is objective evidence that we will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the receivables are impaired. The amount of the provision is the difference between the carrying amount of the asset and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use

FINANCIAL INFORMATION

of an allowance account, and the amount of the loss is recognized in the income statement within other operating costs. When trade receivables are uncollectible, they are written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against other operating costs in the income statement.

RESULTS OF OPERATIONS

The following table sets forth our combined results of operations for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2004	2005	2006	2006	2007
	(Unaudited)				
	(RMB in thousands)				
Revenue	80,053	149,225	246,951	38,800	174,020
Other income, net	355	104	1,987	188	266
Operating costs					
Materials costs	(35,221)	(57,811)	(99,252)	(10,532)	(75,624)
Staff costs	(4,574)	(8,501)	(15,512)	(6,592)	(15,485)
Operating lease expense	(1,155)	(11,375)	(7,398)	(5,812)	(5,239)
Depreciation and amortization	(1,363)	(1,533)	(5,483)	(2,563)	(3,967)
Others	(11,616)	(22,186)	(36,459)	(10,768)	(27,048)
	<u>(53,929)</u>	<u>(101,406)</u>	<u>(164,104)</u>	<u>(36,267)</u>	<u>(127,363)</u>
Operating profit	<u>26,479</u>	<u>47,923</u>	<u>84,834</u>	<u>2,721</u>	<u>46,923</u>
Interest income	19	26	396	41	2,716
Finance expenses	(191)	(582)	(1,780)	(316)	(4,232)
Finance costs, net	<u>(172)</u>	<u>(556)</u>	<u>(1,384)</u>	<u>(275)</u>	<u>(1,516)</u>
Profit before income tax	26,307	47,367	83,450	2,446	45,407
Income tax expense	(96)	(1,623)	(4,953)	(289)	(3,772)
Profit for the year/period	<u>26,211</u>	<u>45,744</u>	<u>78,497</u>	<u>2,157</u>	<u>41,635</u>
Attributable to:					
Equity holders of the Company . . .	26,211	43,792	76,651	2,221	42,352
Minority interests	—	1,952	1,846	(64)	(717)
	<u>26,211</u>	<u>45,744</u>	<u>78,497</u>	<u>2,157</u>	<u>41,635</u>

FINANCIAL INFORMATION

Key Income Statement Items

Revenue. Our revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of business. Revenue is shown net of value-added tax, returns, rebates and discounts.

	Year ended December 31,			Six months ended June 30,	
	2004	2005	2006	2006	2007
	(Unaudited)				
	(RMB in thousands)				
Well services	1,288	7,216	17,592	2,274	82,726
Drilling services	32,509	68,049	115,545	8,467	53,342
Production services	13,249	25,302	46,715	10,536	17,786
Field services	33,007	48,658	67,099	17,523	20,166
Total	80,053	149,225	246,951	38,800	174,020

We recognize revenue from sales of service under the percentage-of-completion method if the service is provided across balance sheet dates and the outcome of the service can be estimated readily. Usually our service contracts are completed before calendar year end, and therefore do not require partial revenue recognition at the end of the year. Among all the balance sheet dates during the Track Record Period (December 31, 2004, 2005 and 2006 and June 30, 2006), there was only one service contract in progress (not taking into account the contracts we have signed but have not commenced work on) as of December 31, 2006. That contract was separated into three phases with separate prices and only the first phase had been completed before the year end. We recognize the income from the completed first phase as revenue in 2006 because we had rendered our services for the first phase and received the acceptance report issued by our customer, the amount of payment to be collected and its collectibility were reasonably certain as both were stipulated under the contract, and other accounting criteria for revenue recognition were also met.

Other income, Net. Other income represents government grants and other income from miscellaneous sources including sales of materials. The government grants primarily represent government incentives to encourage the development of small enterprises and technological innovations. The government grants were granted to eligible enterprises for research and development. They were generally unconditional and non-recurring in nature.

Material costs. Our material costs primarily comprise the purchasing costs for raw materials, parts and components, and consumables used in our sales of goods and services. Our raw materials include drill pipes and anti-corrosion and attrition-resistant materials, the prices of which are subject to the price volatility of steel and nonferrous metals.

Staff costs. Staff costs primarily comprise employee salaries, housing subsidies, contributions to pension plans and other employee welfare and benefits, and other employee-related costs.

Operating lease expense. Operating lease expense primarily comprises our expenses relating to leased equipment, primarily drill pipes.

FINANCIAL INFORMATION

Others. Other operating costs primarily comprise transportation expenses, research and development expenses, service and agent fees and other sales and administration-related expenses.

The table below sets out the breakdown of other operating costs for the periods indicated.

	Year ended December 31,			Six months ended June 30,	
	2004	2005	2006	2006	2007
	(RMB in thousands)				
Travel expenses	2,588	3,160	4,906	1,878	3,223
Business entertainment expenses . . .	1,908	2,698	3,242	1,345	3,962
Shipping	1,267	1,098	1,929	540	1,159
Office expenses	1,070	1,362	2,024	952	1,426
Wireless communication expenses . .	515	609	495	295	603
Miscellaneous shipping expenses . . .	486	905	1,777	319	1,433
Transportation expenses	485	337	289	154	461
Research and development expenses	478	3,808	6,074	2,605	3,122
Conference expenses	302	675	375	104	712
Advertising expenses	209	509	156	122	147
Bad debt provisions	134	974	312	312	—
Rental expenses	118	712	559	120	544
Consulting and audit fees	102	182	2,911	45	3,114
Service and agent fees	74	776	4,756	503	6,104
Business taxes and levies	1,096	3,044	3,355	134	374
Others	784	1,337	3,299	1,340	664
Total	11,616	22,186	36,459	10,768	27,048

Finance costs, Net. Net finance costs represent our interest expenses and bank surcharges related to our borrowings, netted against our interest income on bank deposits.

Income tax expense. Our Company was incorporated in the Cayman Islands and is not subject to PRC income tax. PRC enterprise income tax is provided on the basis of the profits of our PRC subsidiaries for statutory financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for income tax purposes. The current applicable enterprise income tax rate for our PRC subsidiaries is 33%, except that certain subsidiaries are taxed at preferential tax rates ranging from 0% to 7.5% as detailed below because of their status as high-tech enterprises under the relevant PRC tax laws and regulations.

Pursuant to Jing Guo Shui Fa (1994) No. 068 issued by the State Tax Bureau of Beijing City and approved by local tax authorities, Anton Oil, Foyou Tech, Xiguan Antong, Anton Fenglei and Tongsheng Well, being New and High Technology Enterprises and domiciled in New and High Technology Areas, have been granted a tax holiday of three-year exemption, starting from their first operating year, followed by a 50% reduction of the preferential enterprise income tax rate of 15% from the fourth to the sixth year.

Pursuant to Lun Guo Shui Ban (2004) No. 51 issued by the State Tax Bureau of Luntai County, Xinjiang Uygur Autonomous Region, Xinjiang Tong'ao, as a newly set up enterprise in the western area of the PRC, was exempt from PRC enterprise income tax from 2004 to 2006.

FINANCIAL INFORMATION

The applicable PRC enterprise income tax rates of the Group companies during the Relevant Periods are as follows:

	Year ended December 31,			Six months ended June 30,	
	2004	2005	2006	2006	2007
Anton Oil	—	7.5%	7.5%	7.5%	7.5%
Foyou Tech	7.5%	7.5%	7.5%	7.5%	15%
Xinjiang Tong'ao	—	—	—	—	33%
Zhongji Hengtong	33%	Note (a)	Note (a)	Note (a)	Note (a)
Xiguan Antong	—	—	7.5%	7.5%	7.5%
Anton Fenglei	—	—	—	—	7.5%
Tongsheng Well	33%	—	—	—	—
Anton Tong'ao	N/A	33%	33%	33%	33%
Anton New Materials	N/A	N/A	33%	33%	33%
Xinjiang Foyou	N/A	N/A	33%	33%	33%

Note (a): Pursuant to “Notice of Enterprise Income Tax Levied at an Approval Basis” (企業所得稅核定徵收通知書) issued by the Chaoyang District Branch of the State Tax Bureau, Beijing City, enterprise income tax of Zhongji Hengtong is levied at 27% of the approved taxable income which is calculated as total revenue multiplied by 8%.

Six months ended June 30, 2007 compared to six months ended June 30, 2006

Revenue

Our revenue was approximately RMB174.0 million for the six months ended June 30, 2007, representing an increase of RMB135.2 million, or 348.5%, from approximately RMB38.8 million for the six months ended June 30, 2006. The significant increase in our revenue was primarily due to the increased revenue from well services primarily driven by volume increase, and the increased sales volume of drill pipes, anti-corrosion and attrition-resistant products, which were in turn due to the introduction of new services at our well services division and the strong market demand. Another contributing factor was the additional capital resources available to us after completion of the Series A financing in August 2006, enabling us to increase our inventory level and make advanced orders for materials, which increased our servicing capacity and helped to boost our sales in the first half of 2007. The details of our revenue growth are further explained below by each business division.

Well services. Our revenue derived from well services was approximately RMB82.7 million for the six months ended June 30, 2007, representing an increase of RMB80.5 million from approximately RMB2.3 million for the six months ended June 30, 2006. The increase was primarily due to the substantial increase in our revenue from fracturing service and sand control service, primarily driven by the increase in sales volume. Both services were introduced in the second half of 2006 and continued through 2007 to meet strong market demand.

Drilling services. Our revenue derived from drilling services was approximately RMB53.3 million for the six months ended June 30, 2007, representing an increase of approximately RMB44.9 million, or 530.0%, from approximately RMB8.5 million for the six months ended June 30, 2006. The increase was primarily due to the increased sales of drill pipes and heavy drill pipes as a result of our increased capacity to meet market demand. The increases in sales of casings (primarily as a result of the commencement of production in our casing plant in October 2006) and sales of our testing services further contributed to the significant increase in revenue for the first six months in 2007.

FINANCIAL INFORMATION

Production services. Our revenue derived from production services was approximately RMB17.8 million for the six months ended June 30, 2007, representing an increase of approximately RMB7.3 million, or 68.8%, from approximately RMB10.5 million for the six months ended June 30, 2006. The increase was primarily due to the increased sales of our anti-corrosion and attrition-resistant products as a result of the increasing market demand for these products.

Field services. Our revenue derived from field services was approximately RMB20.2 million for the six months ended June 30, 2007, representing an increase of approximately RMB2.6 million, or 15.1%, from approximately RMB17.5 million for the six months ended June 30, 2006, which was primarily due to our increased field servicing capacity.

Other income, net

Our net other income were approximately RMB0.3 million for the six months ended June 30, 2007 while we had net other income of approximately RMB0.2 million for the six months ended June 30, 2006.

Material costs

Our material costs were RMB75.6 million for the six months ended June 30, 2007, representing an increase of RMB65.1 million, or 618.0%, from RMB10.5 million for the six months ended June 30, 2006. The increase was primarily due to our increased procurement of materials in keeping with our increased sales.

Operating lease expense

Our operating lease expense was approximately RMB5.2 million for the six months ended June 30, 2007, comparable to RMB5.8 million for the six months ended June 30, 2006, as our drill pipe leasing operation remained stable.

Staff costs

Our staff costs were approximately RMB15.5 million for the six months ended June 30, 2007, representing an increase of RMB8.9 million, or 134.9%, from RMB6.6 million for the six months ended June 30, 2006. The increase was primarily due to our increased number of employees as a result of our expansion and the increased percentage of senior technical personnel and management personnel in our employee composition.

Depreciation and amortization

Our depreciation and amortization expenses were approximately RMB4.0 million for the six months ended June 30, 2007, representing an increase of RMB1.4 million, or 54.8%, from RMB2.6 million for the six months ended June 30, 2006. The increase was primarily due to our acquisition of machinery and equipment in connection with the construction of our casing plant and the Huairou manufacturing facilities.

FINANCIAL INFORMATION

Other operating costs

Our other operating costs were RMB27.1 million for the six months ended June 30, 2007, representing an increase of RMB16.3 million, or 151.2%, from RMB10.8 million for the six months ended June 30, 2006. The increase was primarily due to (i) the substantial increase in the service and agent fee expenses for our anti-corrosion and attrition-resistant products in the first six months of 2007; (ii) the increase in our auditing fee expenses and consulting fees in connection with our financing activities; and (iii) the increased business development expenses as a result of our expansion.

Operating profit

As a result of the foregoing, our operating profit was approximately RMB46.9 million for the six months ended June 30, 2007, representing an increase of approximately RMB44.2 million from RMB2.7 million for the six months ended June 30, 2006. Our operating profit margin was 27.0% for the six months ended June 30, 2007 as compared with 7.0% for the six months ended June 30, 2006. The increase in operating profit margin was primarily due to the fact that well services tend to have a higher operating profit margin than other divisions as less material costs are involved in well services, and revenue from well services accounted for 47.5% of our total revenue for the six months ended June 30, 2007 as compared to 5.9% for the same period in 2006.

Finance costs, net

Our net finance costs were approximately RMB1.5 million for the six months ended June 30, 2007, representing an increase of approximately RMB1.2 million from RMB0.3 million for the six months ended June 30, 2006. The increase was primarily due to our increased interest expenses on short-term borrowings.

Income tax expense

Our income tax expense was approximately RMB3.8 million for the six months ended June 30, 2007, representing an increase of approximately RMB3.5 million from RMB0.3 million for the six months ended June 30, 2006. The increase was primarily due to our increased taxable profit in the first six months of 2007. Our effective income tax rate decreased from 11.8% for the six months ended June 30, 2006 to 8.3% for the six months ended June 30, 2007, primarily due to the fact that less of our expenses were non-deductible for tax purpose while our profit before income tax increased many folds in the first six months of 2007. Expenses not deductible for taxation purposes include employees' benefit contribution that is over 14.0% of the total salaries of the employees, adjustment to salaries, business entertainment expenses over the budgeted amount, non-social benefit donations and other non-deductible items.

Profit for the period

As a result of the foregoing, our profit was approximately RMB41.6 million for the six months ended June 30, 2007, representing an increase of RMB39.5 million from RMB2.2 million for the six months ended June 30, 2006. In summary, our remarkable financial results for the six months ended June 30, 2007 were partly due to our significant revenue increase primarily driven by new well services we introduced during the period, strong market demand, and our increased servicing capacity facilitated by capital resources from the Series A financing, and partly due to the fact that our operating costs increased at lower rate than our revenue due to economies of scale.

FINANCIAL INFORMATION

Profit attributable to our equity holders

As a result of the foregoing, profit attributable to our equity holders was approximately RMB42.4 million for six months ended June 30, 2007, representing an increase of RMB40.1 million from RMB2.2 million for the six months ended June 30, 2006. The increase was in line with our profit growth for the period. Our net profit margin, as calculated by profit attributable to our equity holders divided by total revenue, was 24.3% for the six months ended June 30, 2007 as compared with 5.7% for the six months ended June 30, 2006.

Loss attributable to minority interests

The loss attributable to minority interests was approximately RMB0.8 million for the six months ended June 30, 2007, representing an increase from a loss of RMB0.1 million for the six months ended June 30, 2006. The losses in both periods were incurred by Xiguan Antong.

Year ended December 31, 2006 compared to year ended December 31, 2005

Revenue

Our revenue was approximately RMB247.0 million in 2006, representing an increase of RMB97.7 million, or 65.5%, from approximately RMB149.2 million in 2005. The overall increase in our revenue was primarily due to the increased sales volume and price of drill pipes, the increased sales volume of anti-corrosion and attrition-resistant products, and our newly launched products and services in 2006, including casings and related services, and coating and fracturing services. The overall increase in our sales volume was primarily attributable to the strong market demand for oilfield services and our increased servicing capacity in 2006. In addition, we used part of the proceeds from our Series-A financing to increase our product and service offerings. The details of our revenue growth are further explained below by each business division.

Well services. Our revenue derived from well services was approximately RMB17.6 million in 2006, representing an increase of RMB10.4 million, or 143.8%, from approximately RMB7.2 million in 2005. The increase was primarily due to our increased revenue from gas propelling fracture stimulation service as a result of our increased efforts in developing this service to meet the strong market demand, and the revenue from our newly launched fracturing services.

Drilling services. Our revenue derived from drilling services was approximately RMB115.5 million in 2006, representing an increase of approximately RMB47.5 million, or 69.8%, from approximately RMB68.0 million in 2005. The increase was primarily due to the revenue from the sale of casings and related services, a new product and service introduced in 2006, and our increased revenue from drill pipes and related services resulting from significant increases in both the sale price and sales volume of drill pipes in 2006.

Production services. Our revenue derived from production services was approximately RMB46.7 million in 2006, representing an increase of approximately RMB21.4 million, or 84.6%, from approximately RMB25.3 million in 2005. The increase was primarily due to our increased sales volume of anti-corrosion and attrition-resistant products such as couplings resulting from the recognition by more customers of the effectiveness and the wide applications of such products in oil production, and the revenue from new products we introduced in 2006, including dehydration equipment for natural gas and downhole pumps.

FINANCIAL INFORMATION

Field services. Our revenue derived from field services was approximately RMB67.1 million in 2006, representing an increase of approximately RMB18.4 million, or 37.9%, from approximately RMB48.7 million in 2005. The increase was primarily due to (i) the revenue generated from coating services, which was a new service we launched in 2006 as we completed the construction of a coating plant in Xinjiang Uygur Autonomous Region and commenced trial production at the end of 2005; (ii) our increased revenue from anti-corrosion services for ground pipes and oil-production services suite; and (iii) the revenue generated by ground engineering service and anode protection. The increases in revenue from anti-corrosion services, oil-production services suite, ground engineering service and anode protection were due to the strong demand for such services resulting from the increased exploration and production activities in the oilfields we served, and our increased servicing capacity to meet the demand.

Other income, net

Our net other income was approximately RMB2.0 million in 2006 while we had net other income of approximately RMB0.1 million in 2005. The change was primarily attributable to the increased government grants we received from various government agencies for the development of small to mid-cap enterprises. The government grants were granted to eligible enterprises for research and development.

Material costs

Our material costs were RMB99.3 million in 2006, representing an increase of RMB41.4 million, or 71.7%, from RMB57.8 million in 2005. The increase was in line with our increase in revenue and was primarily due to our increased purchases of drill pipes and anti-corrosion and attrition-resistant materials.

Operating lease expense

Our operating lease expense was approximately RMB7.4 million in 2006, representing a decrease of RMB4.0 million, or 35.0%, from RMB11.4 million in 2005. The decrease was primarily due to our reduced equipment leasing as we acquired more drilling tools in late 2005.

Staff costs

Our staff costs were approximately RMB15.5 million in 2006, representing an increase of RMB7.0 million, or 82.5%, from RMB8.5 million in 2005. The increase was primarily due to the increase in the number of our employees from 252 in 2005 to 353 in 2006, and the change in our personnel mix as we had a larger proportion of mid- to senior-level technical or management staff who commanded higher salaries in association with the expansion of our operations.

Depreciation and amortization

Our depreciation and amortization expenses were approximately RMB5.5 million in 2006, representing an increase of RMB4.0 million, or 257.7%, from RMB1.5 million in 2005. The increase was primarily due to the acquisition of machinery and equipment in connection with our construction of the coating plant in Xinjiang Uygur Autonomous Region.

FINANCIAL INFORMATION

Other operating costs

Our other operating costs were RMB36.5 million in 2006, representing an increase of RMB14.3 million, or 64.3%, from RMB22.2 million in 2005. The increase was in line with the increase in revenue and was also due to the increases in our professional fees paid to auditors and other professional advisers in connection with the Series A Financing.

Operating profit

As a result of the foregoing, our operating profit was approximately RMB84.8 million in 2006, representing an increase of approximately RMB36.9 million, or 77.0%, from RMB47.9 million in 2005. Our operating profit margin was 34.4% in 2006 as compared with 32.1% in 2005.

Finance costs, net

Our net finance costs were approximately RMB1.4 million in 2006, representing an increase of approximately RMB0.8 million from RMB0.6 million in 2005. The increase was primarily due to the increase in our accrued interest expenses. As of December 31, 2006, among other borrowings, we borrowed entrusted loans from Anton Energy via Shenzhen Development Bank Co., Ltd., Anhua Branch in the amount of RMB7,840,000. As advised by our PRC legal advisers, the entrusted loans are enforceable, valid and in compliance with all applicable PRC laws and regulations. Such entrusted loans have been repaid.

Income tax expense

Our income tax expense was approximately RMB4.9 million in 2006, representing an increase of approximately RMB3.3 million, or 205.2%, from RMB1.6 million in 2005. The increase was primarily due to our increased taxable profit in 2006. Our effective income tax rate increased from 3.4% in 2005 to 5.9% in 2006 primarily due to the fact that one of our subsidiaries, Anton Tong'ao, became profitable in 2006 and was taxed at 33%. We had income not subject to taxation of RMB480,000 in 2006, which was our dividend income from equity investment in Shanxi Fenglei Drilling Tools Company. Expenses not deductible for taxation purposes include employees' benefit contribution that is over 14.0% of the total salaries of the employees, adjustment to salaries, business entertainment expenses over the tax deductible amount, non-social benefit donations and other non-deductible items.

Profit for the year

As a result of the foregoing, our profit for the year was approximately RMB78.5 million in 2006, representing an increase of RMB32.8 million, or 71.6%, from RMB45.7 million in 2005.

Profit attributable to our equity holders

As a result of the foregoing, profit attributable to our equity holders for the year was approximately RMB76.7 million in 2006, representing an increase of RMB32.9 million, or 75.0%, from RMB43.8 million in 2005. The increase rate was slightly higher than the increase in our profit for the year because the minority shareholders' share of our profit decreased in 2006 as discussed below. Our net profit margin was 31.0% in 2006 compared with 29.3% in 2005.

FINANCIAL INFORMATION

Profit attributable to minority interests

The profit attributable to minority interests was approximately RMB1.8 million in 2006, representing a decrease of RMB0.1 million, or 5.4%, from RMB2.0 million in 2005 despite the increase in our total profit for the year 2006. The decrease was primarily due to our acquisition of the remaining 22.5% equity interest in Tongsheng Well in 2006, converting it from a 77.5% subsidiary to a wholly owned subsidiary.

Year ended December 31, 2005 compared to year ended December 31, 2004

Revenue

Our revenue was approximately RMB149.2 million in 2005, representing an increase of RMB69.2 million, or 86.4%, from RMB80.1 million in 2004. The overall increase in our revenue was primarily due to the increased sales volume of drill pipes, and anti-corrosion and attrition-resistant products, as well as our newly launched drilling tool leasing service in 2005. The details of our revenue growth are further explained below by each business division.

Well services. Our revenue derived from well services was approximately RMB7.2 million in 2005, representing an increase of approximately RMB5.9 million, or 460.2% from approximately RMB1.3 million in 2004. The increase was primarily due to the additional revenue generated from a new product, chemical propellants for use in oilfields, and from a new service, gas propelling fracture stimulation technology, both of which were added to our product and service offerings in 2005.

Drilling services. Our revenue derived from drilling services was approximately RMB68.0 million in 2005, representing an increase of approximately RMB35.5 million, or 109.3%, from approximately RMB32.5 million in 2004. The increase was primarily due to the increased sales volume of drill pipes and related services in 2005 as a result of the increased level of exploration and production activities in China.

Production services. Our revenue derived from production services was approximately RMB25.3 million in 2005, representing an increase of approximately RMB12.1 million, or 91.0%, from approximately RMB13.2 million in 2004. The increase was primarily due to the increased revenue from sales of anti-corrosion and attrition-resistant products such as couplings and bare sucker rods, resulting from the recognition by more customers of the effectiveness of and the wide applications of such products in oil production.

Field services. Our revenue derived from field services was approximately RMB48.7 million in 2005, representing an increase of approximately RMB15.7 million, or 47.4%, from approximately RMB33.0 million in 2004. The increase was primarily due to the additional revenue generated from our drilling tool leasing service, which was a new service we started to offer in 2005.

Other income, net

Our net other income was approximately RMB0.1 million and RMB0.4 million in 2005 and 2004, respectively.

FINANCIAL INFORMATION

Materials costs

Our material costs were RMB57.8 million in 2005, representing an increase of RMB22.6 million, or 64.1%, from RMB35.2 million in 2004. The increase was in line with the increase in revenue and was also due to our increased purchases of drill pipes and anti-corrosion and attrition-resistant materials as demand for our services and products increased in 2005.

Staff costs

Our staff costs were approximately RMB8.5 million in 2005, representing an increase of approximately RMB3.9 million, or 85.9%, from approximately RMB4.6 million in 2004. The increase was primarily due to our increased number of employees from 202 in 2004 to 252 in 2005 and the change in our personnel mix as we had a larger proportion of mid- to senior-level technical or management staff which commanded higher salaries.

Operating lease expenses

Our operating lease expenses were approximately RMB11.4 million in 2005, representing an increase of approximately RMB10.2 million, from approximately RMB1.2 million in 2004. The increase was primarily due to the additional leasing expenses from our drilling tool leasing service which we introduced in 2005.

Depreciation and amortization

Our depreciation and amortization expenses were approximately RMB1.5 million in 2005, representing an increase of approximately RMB0.2 million, or 12.5%, from approximately RMB1.4 million in 2004. The increase was primarily due to acquisition of additional machinery and equipment in 2005.

Other operating costs

Our other operating costs were approximately RMB22.2 million in 2005, representing an increase of approximately RMB10.6 million, or 91.0%, from approximately RMB11.6 million in 2004. The increase was primarily due to our increased expenditures on research and development relating to our new services and products, and the increases in our sales tax and surcharges resulting from our increased sales and expanded operations in 2005.

Operating profit

As a result of the foregoing, our operating profit was approximately RMB47.9 million in 2005, representing an increase of approximately RMB21.4 million, or 81.0%, from approximately RMB26.5 million in 2004. Our operating profit margin was 32.1% in 2005 compared with 33.1% in 2004.

Finance costs, net

Our net finance costs were approximately RMB0.6 million in 2005, representing an increase of approximately RMB0.4 million, from approximately RMB0.2 million in 2004. The increase was primarily due to the increase in our short-term bank borrowings in 2005.

FINANCIAL INFORMATION

Income tax expense

Our income tax expense was approximately RMB1.6 million in 2005, representing an increase of approximately RMB1.5 million, from approximately RMB0.1 million in 2004. The increase was primarily due to our increased taxable profit and the fact that the income tax exemption Anton Oil received previously expired in 2005 and Anton Oil was subsequently taxed at 7.5% pursuant to the relevant tax rules. Our effective income tax rate was 3.4% in 2005 as compared with 0.4% in 2004. Expenses not deductible for taxation purposes include employees' benefit contribution that is over 14.0% of the total salaries of the employees, adjustment to salaries, business entertainment expenses over the budgeted amount, non-social benefit donations and other non-deductible items.

Profit for the year

As a result of the foregoing, our profit for the year was approximately RMB45.7 million in 2005, representing an increase of RMB19.5 million, or 74.5%, from RMB26.2 million in 2004.

Profit attributable to our equity holders

As a result of the foregoing, profit attributable to our equity holders for the year was approximately RMB43.8 million in 2005, representing an increase of RMB17.6 million, or 67.1%, from RMB26.2 million in 2004. The rate of increase was less than that of our profit for the year because there was a minority shareholders' share of our profit in 2005 and none in 2004. Our net profit margin was 29.3% in 2005 compared with 32.7% in 2004.

Profit attributable to minority interests

The profit attributable to minority interests was approximately RMB2.0 million in 2005, representing the 22.5% interest of the minority shareholders in Tongsheng Well. There was no minority interest in 2004.

Analysis of Certain Balance Sheet Data

Trade and notes receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision made for impairment of these receivables. A provision for impairment of receivables is established when there is objective evidence that we will not be able to collect all amounts due according to the original terms of receivables. In making a determination, we consider factors such as significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy or financial reorganization, and default or delinquency in payments. For the years ended December 31, 2004, 2005 and 2006 and the six months ended June 30, 2007, we made provisions of RMB0.1

FINANCIAL INFORMATION

million, RMB1.0 million, RMB0.3 million and nil for impairment of receivables, respectively, which accounted for 0.2%, 0.7%, 0.1% and nil of our total revenue for the same respective periods. See Notes 3(j) and 11 to the Accountants' Report included in Appendix I to this prospectus.

	As of December 31,			As of June 30,
	2004	2005	2006	2007
	(RMB in thousands)			
Trade receivables, net	32,658	77,748	174,778	237,086
Notes receivables	—	1,560	23,021	9,982
Total.	32,658	79,308	197,799	247,068

The payment arrangements for our sales contracts are as follows: Normally, our customers are required to pay after our delivery of products or services according to their respective contract terms; for a limited number of products sold primarily by our production services division, we require between 10% and 20% of the total contract price to be paid upon signing of the contract, and between 70% and 80% of the contract price to be paid after the delivery of the products or the provision of the services. Some of our product sales contracts include a final installment, generally representing about 5% to 10% of the contract sum, which would be retained by the customer as retention money for a period no longer than one year, depending on our relationship with the customer and the type of products supplied or services provided. If claims should arise in relation to products supplied or services provided during the period when retention money is held, the customer may first apply the retention money to settle their claim. The retention money accounted for less than 2% of our total accounts receivables at each year end during our Track Record period. We did not experience any claim during the Track Record Period and all retention money has been paid by the customers.

Our trade receivables turnover days was 105 days, 135 days, 187 days and 213 days in the three years ended December 31, 2004, 2005 and 2006 and for the six months ended June 30, 2007, respectively. The oil and gas exploration and production industry in China is dominated by the three major PRC oil and gas producers, we usually grant them a credit term of up to six months from the date of invoice and may extend the credit term on a case by case basis considering their payment record, the business volume from them and their strong bargaining power due to their dominant market position. In most cases, the extended credit term does not exceed 12 months. We have not experienced any material default by our customers in the past. We also plan to adopt more rigorous internal measures to ensure more timely collection of our trade receivables in the future. The trade/notes receivables turnover is calculated using the following formula:

Trade/notes receivables turnover (days) = (beginning balance of trade/notes receivables for the period + ending balance of trade/notes receivables for the period)/2/ revenue x 365 days for a year or 180 days for a six-month period.

Our trade receivables turnover days increased from 105 days in 2004 to 135 days in 2005 primarily because 48.8% of our sales fell in the fourth quarter in 2005, thus caused a larger year-end trade receivables balance, which in turn translated into longer turnover days for the period per our formula disclosed above. Our trade receivables turnover days increased from 135 days in 2005 to 187 days in 2006 primarily as a result of approximately 59.2% of our sales occurring in the fourth quarter in 2006 as compared with 48.8% in 2005. For the purpose of illustrating the impact of large year-end trade receivables balance on our trade receivables turnover, our trade receivables turnover days for the 12 months ended June 30, 2007 using the same formula was 138 days. The fact that a large proportion of our sales occur in the fourth quarter is primarily due to our

FINANCIAL INFORMATION

customers' budget cycle. Our customers typically set their annual budgets in the beginning of a year and spend a larger proportion of the allocated funds later in the year. Our trade receivables turnover days further increased to 213 days for the six months ended June 30, 2007 primarily due to the large period-end trade receivables balance of RMB237.1 million, which was mainly attributable to our increased sales during the period and the decreased invoicing in the first quarter of 2007 because Anton Oil was in the process of changing its status from a PRC enterprise to a foreign-invested enterprise, and no invoicing activities were allowed while its application for change of status was being processed. Anton Oil accounted for over 80% of our revenue in the first quarter of 2007. Although we caught up with our invoicing in the second quarter of 2007, since our customers only pay us after receiving the invoices, the delayed invoicing in the first quarter of 2007 due to the aforementioned administrative procedure caused a delay in our collection, which in turn caused an increase in our trade receivables turnover days for the first half of 2007.

We typically grant an credit period of three to six months to our customers. We issue invoices upon receipt of customers' confirmation of acceptance of goods or completion of services. The amounts due are usually to be paid within three to six months from the invoice date. Our relatively long trade receivables turnover days are attributable to the following factors: (i) as discussed above, each year more than 45% of our revenue was earned and booked in the fourth quarter during the Track Record Period. As a result, trade receivables balances at year end were substantially higher than the average monthly trade receivables during the year, which had an effect of magnifying the trade receivables turnover days as compared to industries that are not affected by such seasonality factor. The formula to calculate trade receivables turnover days uses the average of period-beginning balance and period-end balance as nominator, and causes calendar year turnover days to be relatively long for companies like us which have substantially higher receivables balance at the end of period; (ii) the trade receivables also include VAT of 17% attributable to the transactions, which inflated the amount of the trade receivables and makes trade receivables turnover days not directly comparable to the credit period granted to customers; (iii) we may grant longer credit period to our large customers, who have strong bargaining power and are financially solid. We have also from time to time extended our credit term in order to promote our new products and services, or to accommodate our major customers' cash management schedule when necessary in order to strengthen our relationships with them; and (iv) our customers do not arrange for automatic payments according to the invoices. It usually takes our customers from one week to a month to verify and approve our invoices after they receive the invoices, which is part of their standard internal accounting procedures. In some instances, our continuous follow-ups are needed for receivables collection. As of October 31, 2007, we had collected RMB97.3 million, or approximately 39.4% of the total trade and notes receivables outstanding at June 30, 2007. Of the RMB40.4 million of trade receivables that were aged six to 12 months at June 30, 2007, 61% had been received as of October 31, 2007.

Our notes receivables turnover days was nil, two days, 18 days and 17 days in 2004, 2005, 2006 and for the six months ended June 30, 2007, respectively. Our notes receivables turnover days increased from two days in 2005 to 18 days in 2006 primarily due to the substantial increase in our year-end balance of notes receivables from RMB1.6 million to RMB23.0 million because more sales were settled in bank notes in 2006 than in 2005.

Our trade receivables aged less than six months as of June 30, 2007 are higher than the revenue for the six months ended June 30, 2007 because the revenue is net of VAT amount, while trade receivables balance includes the VAT amount. VAT is levied at 17% of the revenue subject to VAT. Most of our revenue were subject to VAT.

FINANCIAL INFORMATION

Our trade and notes receivables aged six to 12 months increased from RMB3.7 million as at December 31, 2006 to RMB36.4 million as at June 30, 2007 primarily due to (i) an increase of approximately RMB7.0 million in the retention money retained by the customers, which will be released upon expiry of the relevant contract term; and (ii) delay in payment by certain customers.

In order to improve our working capital management, in particular to shorten trade receivables days, we have appointed senior managers at both the headquarters and regional sales offices levels to be directly responsible for working capital management. We have formed a special committee that is headed by our CEO and comprises our CFO and top managers of all regional sales offices. The committee will review our working capital status at monthly meetings and address any outstanding issues. In addition, we have set detailed receivables collection target for each sales region, which is a key performance benchmark for the regional managers and is directly linked with the top regional managers' compensation and future promotion.

We have been able to finance our business growth with bank borrowings and private equity funds in addition to cash generated from operations and capital contribution from shareholders. We are negotiating with local banks for extension of additional credit lines to satisfy our future working capital needs. As of September 30, 2007, being the latest practicable date for the purposes of our indebtedness statement, we had one guaranteed bank credit line of RMB50.0 million, of which we had utilized RMB30.0 million. We will seek to pledge part or all of our remaining trade receivables to obtain additional working capital loans if such needs arise. We are also studying the possibility of factoring or selling part of our receivables in order to shorten the trade receivables recycle. We believe our ability in seeking financing will also increase as we continue to grow our business and enhance our brand recognition.

Trade payables

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using effective interest method.

Aging analysis of trade payables at the respective balance sheet dates is as follows:

	As of December 31,			As of June 30,
	2004	2005	2006	2007
	(RMB in thousands)			
less than 1 year	19,041	16,639	25,920	20,847
1 - 2 years	343	2,279	700	548
2 - 3 years	—	278	124	154
Over 3 years	—	—	185	160
Total	19,384	19,196	26,929	21,709

Our suppliers (excluding those who do not grant any credit period) generally grant us a credit period of three months. Our trade payables turnover days was 142 days, 122 days, 85 days and 58 days in the years ended December 31, 2004, 2005, 2006 and the six months ended June 30, 2007, respectively.

FINANCIAL INFORMATION

The trade payables turnover is calculated using the following formula:

Trade payables turnover (days) = (beginning balance of trade payables for the period + ending balance of trade payables for the period)/2/ material costs x 365 days for a year or 180 days for a six-month period.

Our trade payables turnover days decreased in the Track Record Period primarily due to the fact that an increasing number of our suppliers required payment on delivery and we need to pay our suppliers more promptly to secure supplies.

Our trade payables aged over two years as of December 31, 2006 and June 30, 2007 were all retention money we retained pursuant to our purchase contracts with suppliers to cover any potential claim we may have over the quality of supplies we procured. Such retention money will be paid upon the expiry of the term specified in the contract.

Inventory

Inventories primarily consist of materials and finished goods used for sales. Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads (based on normal operating capacity), and excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs to completion and the applicable variable selling expenses.

	As of December 31,			As of June 30,
	2004	2005	2006	2007
	(RMB in thousands)			
Raw materials	2,282	1,015	8,822	12,630
Work-in-progress	—	—	2,913	3,535
Finished goods	10,050	7,632	36,812	17,520
Spare parts and others	1	61	1,568	6,126
Total.	12,333	8,708	50,115	39,811

Our inventory turnover days was 75 days, 66 days, 108 days and 107 days in the three years ended December 31, 2004, 2005 and 2006 and for the six months ended June 30, 2007, respectively. The inventory turnover is calculated using the following formula:

Inventory turnover = (beginning balance of inventory for the period + ending balance of inventory for the period)/2/material costs x 365 days for a year or 180 days for a six-month period.

Inventory turnover days decreased from 75 days in 2004 to 66 days in 2005 due to our increased sales. In 2006, inventory turnover days increased to 108 days primarily due to the increased balance of inventory under our new inventory policy. We previously procured supplies only after we obtained customer orders. Under our new inventory policy, we procured certain level of inventories in order to provide services in a more timely manner, which caused a surge in our inventory balance from the previous years at a rate higher than that of our cost of sales. With reference to the formula set out above, as the nominator, being the inventory balance, increased at a rate higher than that of cost of sales, our inventory turnover days increased. See “Business — Inventory” for further details of our new inventory policy.

FINANCIAL INFORMATION

We stored some inventories in our customers' sites, amounting to approximately RMB6.0 million, RMB20.7 million and RMB9.6 million as of December 31, 2005, 2006 and June 30, 2007, respectively. There were no off site inventories as of December 31, 2004. When storing inventories off site, which include finished good and work-in-progress inventories, we maintain comprehensive records of the delivery and receipt of inventories and review our stock position on a monthly basis. We also conduct physical stock take for off site inventories every six months, during which time the keeper of the inventories is required to provide us with written confirmation of the stock of inventories.

As of September 30, 2007, approximately 65.1% of our inventories at June 30, 2007 had been sold or used.

Gearing ratio

We monitor capital on the basis of gearing ratio. Gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including borrowings and trade payables) less cash and cash equivalents. Total capital is calculated as equity plus net debt. Our gearing ratios as of December 31, 2004, 2005 and 2006 and June 30, 2007 were 16.9%, 14.6%, 25.2% and 23.0%, respectively. Our gearing ratio increased from 14.6% in 2005 to 25.2% in 2006 due to a substantial increase in our short-term borrowings. See Note 4(c) in the Accountants' Report included as Appendix I to this prospectus for more details on our gearing ratio.

Accruals and other payables

	As of December 31,			As of June 30,
	2004	2005	2006	2007
	(RMB in thousands)			
Customer deposits and receipts in advance	2,147	2,889	1,624	777
Amounts due to related parties	7,567	30,089	5,320	5,005
Accrued expenses	1	8,447	8,156	2,011
Payroll and welfare payables	1,072	2,207	3,073	4,211
Other taxes payables	3,562	4,171	8,628	12,674
Others	2,188	7,647	20,979	11,049
Total.	16,537	55,450	47,780	35,727

Our amounts due to related parties have been fully settled as of the date of this prospectus. We only require deposit and/or advance payment from our customers for a limited number of our products, primarily the oil production equipment sold by our production services division. Our production services division accounted for approximately 16.6%, 17.0%, 18.9% and 10.2% of our revenue during the years ended December 31, 2004, 2005 and 2006 and the six months ended June 30, 2007. "Others" under accruals and other payables increased from RMB2.2 million in 2004 to RMB7.6 million in 2005 primarily due to the incurrence of payables relating to the construction of our coating plant in Xinjiang Uygur Autonomous Region and an increase in traveling expenses as a result of our business growth. Others further increased to RMB21.0 million in 2006 primarily due to the acquisition of the land use rights for our new manufacturing facility in Huairou and the acquisition of an additional 22.5% equity interest in Tongsheng Well.

FINANCIAL INFORMATION

Prepayments and other receivables

	As of December 31,			As of June 30
	2004	2005	2006	2007
	(RMB in thousands)			
Advances to suppliers	4,251	8,537	28,182	65,848
Amounts due from related parties	1,843	8,794	6,248	132
Other receivables	<u>9,260</u>	<u>12,571</u>	<u>6,960</u>	<u>9,328</u>
Total.	<u><u>15,354</u></u>	<u><u>29,902</u></u>	<u><u>41,390</u></u>	<u><u>75,308</u></u>

Our advances to suppliers are usually our prepayments for materials and equipment which we use in our regular business or for planned expansions. Such prepayments are customary industry practice or are often required for supplies in shortage such as drill pipes. In 2006, our advances to suppliers increased substantially to approximately RMB28.2 million from RMB8.5 million in 2005. The increase was primarily attributable to prepayments for equipment and materials needed in well services, well-washing equipment and the construction and equipment needed for a casing production facility in Xinjiang Tongao. As of June 30, 2007, our advances to suppliers further increased to RMB65.8 million, which was primarily attributable to: (i) prepayments for materials and manufacturing fees relating to drill pipes production and casings; (ii) prepayments for materials needed in well-fracturing and sand-control services; and (iii) prepayments for equipment and materials needed in drilling services.

The amounts due from related parties primarily consisted of advances to Anton Energy for a series of transfers in connection with our Reorganization, which were settled in June 2007, and advances to our Directors and senior staff for their business travel expenses. Our related party transactions have been disclosed in Appendix I to this prospectus. The Directors are of the view that all of our related party transactions during the Track Record Period were conducted on an arm's length basis on normal commercial terms and have been conducted in the ordinary and usual course of business.

The table below sets out the breakdown of other receivables as of the dates indicated.

	As of December 31,			As of
	2004	2005	2006	June 30,
	(RMB in thousands)			
Deferred expenses	1,209	1,051	845	874
Petty cash	5,970	6,328	2,662	5,490
Security deposits	136	304	1,263	1,445
Other	<u>1,945</u>	<u>4,888</u>	<u>2,190</u>	<u>1,519</u>
Total.	<u><u>9,260</u></u>	<u><u>12,571</u></u>	<u><u>6,960</u></u>	<u><u>9,328</u></u>

FINANCIAL INFORMATION

LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2007, our Group had net current assets of approximately RMB352.6 million. The table below sets forth the breakdown of our current assets and liabilities as at September 30, 2007.

	RMB'000 (Unaudited)
Current assets	
Inventories	109,167
Trade and notes receivables	239,104
Prepayments and other receivables	93,944
Cash and cash equivalents	<u>113,352</u>
	<u>555,567</u>
Current liabilities	
Short-term borrowings	101,340
Trade payables	62,135
Accruals and other payables	34,543
Current income tax liabilities	<u>4,988</u>
	<u>203,006</u>
Net current assets	<u><u>352,561</u></u>

Cash Flows

The following table sets forth our selected cash flow data for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2004	2005	2006	2006	2007
	(Unaudited)				
	(RMB in thousands)				
Net cash generated from / (used in) operating activities	14,718	8,501	(95,412)	252	(35,460)
Net cash (used in) / generated from investing activities	(7,155)	(14,108)	(132,033)	(10,570)	29,695
Net cash (used in) / generated from financing activities	<u>(500)</u>	<u>4,300</u>	<u>263,857</u>	<u>3,200</u>	<u>(4,000)</u>
Net increase/(decrease) in cash and cash equivalents	7,063	(1,307)	36,412	(7,118)	(9,765)
Cash and cash equivalents at the end of year/period	11,509	10,205	46,137	3,103	35,183

FINANCIAL INFORMATION

Operating activities

The six months ended June 30, 2007. We had net cash flow used in operating activities of approximately RMB35.5 million for the six months ended June 30, 2007. The operating cash outflow primarily reflected the following: (i) our profit of RMB41.6 million for the six months ended June 30, 2007; (ii) an increase of approximately RMB49.3 million in trade and notes receivables primarily due to our delayed invoicing in the first quarter of 2007 as a result of the aforementioned status change of our subsidiary Anton Oil, which in turn caused a substantial increase in our invoicing during the second quarter of 2007 when we processed all invoices that should have been issued but was not issued in the first quarter of 2007. Such increased amount of invoicing in the second quarter of 2007 led to higher receivables balance as of June 30, 2007; (iii) an increase of approximately RMB26.3 million in prepayments and other receivables due to our increased procurement requirements and sales; and (iv) a decrease of approximately RMB11.1 million in our accruals and other payables. The effect of these factors was partially offset by the decrease of approximately RMB10.3 million in our inventories as a result of our sales of a large quantity of drill pipes in early 2007.

2006. We had net cash flow used in operating activities of approximately RMB95.4 million in 2006. The operating cash outflow primarily reflected our profit in 2006 of RMB78.5 million, an increase of approximately RMB118.8 million in trade and notes receivables primarily due to our increased sales in 2006, and an increase of approximately RMB41.4 million in inventories as a result of our new inventory policy in 2006, which promoted proactive stocking and a healthy level of inventory to shorten the lead time between customer orders and our deliveries, and a decrease of approximately RMB30.7 million in accruals and other payables in 2006.

2005. We had net cash generated from operating activities of approximately RMB8.5 million in 2005. The operating cash inflow primarily reflected our profit of approximately RMB45.7 million, an increase of approximately RMB7.7 million in accruals and other payables primarily due to fees payable to contractors for our coating plant construction and a decrease of approximately RMB3.6 million in our inventories in 2005 due to our increased sales. The effect of these factors was partially offset by an increase of approximately RMB4.4 million in prepayments and other receivables, and an increase of approximately RMB47.6 million in trade and notes receivables due to our increased sales and longer trade and notes receivables turnover days as more sales were settled by bank notes in 2005.

2004. We had net cash generated from operating activities of approximately RMB14.7 million in 2004. The operating cash inflow primarily reflected our profit of approximately RMB26.2 million, an increase of approximately RMB10.6 million in accruals and other payables primarily due to the fees payable to contractors for our coating plant construction, and an increase of approximately RMB11.0 million in our trade payables due to our increased procurement of supplies associated with our business expansion in 2004. The effect of these factors was partially offset by an increase of approximately RMB19.4 million in trade and notes receivables primarily due to our increased sales, and an increase of approximately RMB10.3 million in inventories due to the expansion of our operations in 2004.

FINANCIAL INFORMATION

Investing activities

The six months ended June 30, 2007. We had net cash generated from investing activities of approximately RMB29.7 million for the six months ended June 30, 2007, which was mainly attributable to a decrease of approximately RMB85.9 million in our restricted bank deposits, the effect of which was partially offset by approximately RMB53.6 million used for purchases of property, plant and equipment primarily in connection with our Huairou facilities, construction of a casing plant and well-washing equipment for field services.

2006. We had net cash used in investing activities of approximately RMB132.0 million for 2006, which was mainly attributable to an increase of approximately RMB83.9 million in restricted bank deposits, which was used as security for our short-term bank borrowings for working capital needs, and approximately RMB41.5 million in payments for purchases of property, plant and equipment in connection with a manufacturing plant for 25-inch diameter casings, a new material manufacturing facility in Huairou and a well clean-up project in 2006.

2005. We had net cash used in investing activities of approximately RMB14.1 million for 2005, which mainly consisted of purchase of property, plant and equipment of RMB12.5 million incurred for, among other things, the construction of a coating plant in Xinjiang Uygur Autonomous Region and the purchases of equipment and materials for a manufacturing plant for 25-inch diameter casings, and an increase of RMB2.0 million in our restricted bank deposits used as security for a short-term bank loan in 2005.

2004. We had net cash used in investing activities of approximately RMB7.2 million for 2004, which mainly consisted of approximately RMB5.2 million incurred for the construction of a coating plant in Xinjiang Uygur Autonomous Region, and an acquisition of investment for RMB2.0 million in 2004.

Financing activities

The six months ended June 30, 2007. We had net cash used in financing activities of approximately RMB4.0 million for the six months ended June 30, 2007, which was mainly attributable to the repayment of short-term borrowings of RMB70.0 million, partially offset by the proceeds of RMB66.0 million from short-term borrowings.

2006. We had net cash generated from financing activities of approximately RMB263.9 million in 2006, which was mainly attributable to the capital contribution of RMB165.4 million from Anton Energy and the Parent Company with the proceeds from the Series A Financing, and the proceeds of RMB90.0 million from our short-term Renminbi bank loans in 2006, which we borrowed to meet our working capital needs. These cash inflows were partially offset by our dividend payment of RMB15.5 million and our repayment of short-term borrowings of RMB12.3 million in 2006.

2005. We had net cash generated from financing activities of approximately RMB4.3 million in 2005, which was mainly attributable to the proceeds of approximately RMB14.3 million from our short-term borrowing in 2005, partially offset by our repayment of short-term borrowings of RMB9.5 million and our dividend payment of RMB0.5 million in 2005.

2004. We had net cash used in financing activities of approximately RMB0.5 million in 2004, which was mainly attributable to the repayment of RMB3.0 million for short-term borrowings, partially offset by the proceeds of RMB2.5 million from short-term borrowings in 2004.

FINANCIAL INFORMATION

Capital Resources

We generally finance our operations through a combination of shareholders' equity, borrowings and internally generated cash flows. Following completion of the Global Offering, our Directors expect to fund our capital and operating requirements through internally generated cash flows, the net proceeds from the Global Offering, cash on hand and, if necessary, additional equity financing or bank borrowings.

INDEBTEDNESS

Borrowings

The following table sets forth our borrowings as of the dates indicated.

	As of December 31,			As of June 30,	As of September 30,
	2004	2005	2006	2007	2007
					(unaudited)
	(RMB in thousands)				
Short-term borrowings					
Secured bank borrowings					
- Pledged	2,500	7,300	70,000	13,000	13,000
- Guaranteed.	—	—	20,000	73,000	53,500
Unsecured bank borrowings	—	—	—	—	27,000
Unsecured borrowings from related parties	—	—	31,266	30,687	7,840
	2,500	7,300	121,266	116,687	101,340

As of September 30, 2007, unsecured borrowings from related parties represented entrusted loan from Anton Energy, a company controlled by Luo Lin via Shenzhen Development Bank Co., Ltd. Beijing Anhua Branch, with principal amount of RMB7,840,000, bearing an interest rate of 6.12% per annum. Such loan from a related party has been fully settled.

GUARANTEE

In order to obtain a bank loan from a bank which we did not have a sufficiently long-term relationship with, we have arranged for a guarantee from Beijing Zhongguancun Guarantee Company Limited (北京中關村科技擔保有限公司) ("Beijing Zhongguancun"), a third party guarantee company, on the loan. Established on December 16, 1999 with a registered capital of RMB423 million, Beijing Zhongguancun is a government-funded credit/guarantee company the scope of business of which includes the provision of company debt guarantees, notes guarantees and financing guarantees. It is also one of the largest professional guarantee companies in China. As at August 2007, Beijing Zhongguancun had provided guarantees and/or related services for more than RMB1.5 billion of capital raised by small and medium enterprises in China. By obtaining such a guarantee, our credit ratings with the bank increased.

FINANCIAL INFORMATION

As of September 30, 2007, we had RMB20 million to draw from our credit line of RMB50 million with a bank, the total credit line we obtained from the bank for 2007 was RMB50 million and was guaranteed by Beijing Zhongguancun for which we provided counter guarantee with our trade receivables, certain property, plant and equipment of Anton Oil. Ma Jian and He Zhigang also provided a guarantee as a part of the counter-guarantee. The guarantee provided by our controlling shareholders was released as of the Latest Practicable Date.

CAPITAL EXPENDITURE PLAN

We have budgeted capital expenditures of approximately RMB151 million, RMB489 million and RMB825 million for 2007, 2008 and 2009 respectively. Our budget will be used to fund the building, equipment procurement and acquisitions necessary for our continued expansion.

Our budgeted capital expenditures consist of the following:

- Approximately RMB160 million to be allocated to the construction of the Group's manufacturing and research and development facilities in Huairou;
- Approximately RMB550 million to be allocated to the well services division, including equipment procurement and the acquisition of Hinen-Hitech;
- Approximately RMB220 million to be allocated to the drilling services division, in particular the procurement of drilling tools and expansion of the capacity of our joint venture with Northern Heavy;
- Approximately RMB70 million to be allocated to the production services division to increase our servicing capacity; and
- Approximately RMB465 million to be allocated to our existing field services operations in northwestern China, the establishment of new field service facilities in Yulin, Sichuan, Jidong and northeastern China, and the selective construction of field service facilities overseas.

We may adjust our capital expenditure plan based on our future results of operations, cash flows and overall financial condition, financial costs, the condition of financial markets in general and other relevant factors. Our capital expenditures are generally subject to receipt of necessary approvals from the PRC government.

CONTRACTUAL OBLIGATIONS

Our contractual commitments consist primarily of payment obligations under our operating lease arrangements. We lease certain equipment and machinery for operating lease services. The following table sets out our operating lease commitments as of the dates indicated.

	As of December 31,			As of June 30,
	2004	2005	2006	2007
	(RMB in thousands)			
Lease payment due:				
- Within one year	500	—	48	5,716

FINANCIAL INFORMATION

Capital commitments related to investments in property, plant and equipment at the balance sheet date but not yet provided for in the balance sheets were as follows:

	As of December 31,			As of June 30,
	2004	2005	2006	2007
	(RMB in thousands)			
Contracted but not provided for	=	=	<u>31,712</u>	<u>60,926</u>

As of December 31, 2006, among our total capital commitment of RMB31.7 million, approximately RMB22.4 million was to be used for the construction of and procurement of equipment for Anton New Materials' manufacturing facilities in Huairou, RMB9.3 million was to be utilized by Anton Tong'ao for the construction of its new plant and purchase of machinery. As of June 30, 2007, approximately RMB50.0 million of the capital commitments was related to the capital injection to the joint venture with Northern Heavy, while approximately RMB10.0 million will be spent on the construction of and equipment procurement for Anton New Materials' manufacturing facilities in Huairou.

We plan to finance our capital expenditure plan and contractual commitments through a combination of cash on hand, the net proceeds from the Global Offering, borrowings and internally generated cash flows. If necessary, we may also seek additional equity financing.

CONTINGENT LIABILITIES

As of September 30, 2007, being the latest practicable date for the purpose of this statement, we did not have any material contingent liabilities or guarantees.

OFF-BALANCE SHEET ARRANGEMENTS

As of the September 30, 2007, being the latest practicable date for the purpose of this statement, we did not have any off-balance sheet arrangements.

WORKING CAPITAL

Taking into account the net cash flow from operating activities, the available existing banking facilities and the estimated net proceeds from the Global Offering, we believe that we have sufficient working capital for our present requirements and for the next 12 months from the date of this prospectus.

DISCLAIMER

Save as disclosed in this Financial Information section and in the Appendices I and II to this prospectus, and apart from intra-group liabilities, we did not have any outstanding mortgages, charges, debentures, loan capital issued or agreed to be issued, bank overdrafts, loans and advances, debt securities borrowing or other similar indebtedness, finance lease commitments, hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities outstanding at September 30, 2007, being the latest practicable date for the purpose of this statement.

FINANCIAL INFORMATION

MARKET RISKS

Interest Rate Risk

As we have no significant interest-bearing assets, our income and operating cash flows are substantially independent of changes in market interest rates.

Our interest rate risk mainly arises from borrowings. Borrowings at variable rates expose us to cash flow interest-rate risk. We historically have not used any financial instruments to hedge potential fluctuations in interest rates.

Foreign Exchange Rate Risk

We currently conduct our business mostly in Renminbi except that certain payments for imported goods, which amounted to US\$0.2 million (approximately RMB1.5 million), US\$0.8 million (approximately RMB5.9 million), US\$1.0 million (approximately RMB7.4 million) and US\$1.6 million (approximately RMB11.9 million), respectively, during the years ended December 31, 2004, 2005 and 2006 and the six months ended June 30, 2007. We consider the foreign exchange risk related to these payments to be insignificant. Our foreign currency transactions are translated into Renminbi at the PBOC Rate at the transaction dates. The value of Renminbi against other currencies may fluctuate and is affected by, among other things, changes in China's political and economic conditions. On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of Renminbi to the U.S. dollar. Under the new policy, Renminbi is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. Fluctuations in the value of Renminbi to the U.S. dollar or other currencies may adversely affect our results of operations and financial position. For example, if the value of Renminbi appreciates, we would record foreign exchange gains on bank balances and other assets we maintain in non-PRC currencies. We do not presently intend to use any derivative instruments in the foreign currency market to hedge our risk against foreign exchange fluctuations.

Inflation

In recent years, China has not experienced significant inflation, and thus inflation has not had a significant effect on our business during the past three years. According to the China Statistical Bureau, China's overall national inflation rate, as represented by the general consumer price index, was approximately 3.9% , 1.8% and 1.5% in 2004, 2005 and 2006, respectively.

DISCLOSURE PURSUANT TO RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors have confirmed that as at the Latest Practicable Date, they were not aware of any circumstances which would give rise to a disclosure obligation pursuant to Rules 13.13 to 13.19 of the Listing Rules.

FINANCIAL INFORMATION

PROFIT FORECAST

We believe that, in the absence of unforeseen circumstances and on the bases set out in Appendix IV to this prospectus, our consolidated profit attributable to equity holders of the Company for the year ending December 31, 2007 is unlikely to be less than RMB110.6 million.

Forecast consolidated profit attributable to the Company's equityholders for
the year ending December 31, 2007, not less than⁽²⁾ RMB110.6 million

(a) Unaudited pro forma forecast basic earnings per Share, not less than⁽³⁾ RMB0.05

(b) Unaudited pro forma forecast fully diluted earnings per Share, not less than⁽⁴⁾ RMB0.05

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- (1) All statistics in this table are based on the assumption that the Over-allotment Option is not exercised.
- (2) The bases and assumptions on which the above profit forecast has been prepared are set out in Appendix IV.
- (3) The calculation of the unaudited pro forma forecast basic earnings per Share is based on the forecast consolidated profit attributable to the equity holders of the Company for the year ending December 31, 2007, assuming that the Global Offering and the Capitalization Issue were completed on January 1, 2007 and a total of 2,067,250,000 Shares were in issue during the entire year. This calculation has not taken into account any Shares which may be issued upon the exercise of the Over-allotment Option or the options granted under the Pre-IPO Share Option Scheme.
- (4) The calculation of the unaudited pro forma forecast fully diluted earnings per Share is based on the forecast consolidated profit attributable to equity holders of the Company for the year ending December 31, 2007, assuming that the Global Offering and the Capitalization Issue were completed on January 1, 2007 and after taking into account the Pre-IPO Share Option Scheme but taking no account of any Shares which may be issued upon the exercise of the Over-allotment Option. This calculation has been prepared on the bases that the proceed from the exercise of the Pre-IPO Share Options is nil and has not considered the impact of fair value of the Shares on computation of number of dilutive potential Shares.

DIVIDEND AND DIVIDEND POLICY

We declared and paid dividends of RMB0.5 million and RMB15.5 million in 2005 and 2006, respectively, in respect of the years ended December 31, 2004 and 2005.

Prior to the completion of the Global Offering, the amount of dividends which we could legally distribute was determined by reference to the profits as reflected in our financial statements prepared in accordance with PRC GAAP. These profits may differ from those reflected in this prospectus, which are prepared in accordance with the IFRS. Upon Listing, we may not distribute dividends exceeding the lower of our distributable reserves as determined under PRC GAAP and those under the IFRS.

We are a holding company incorporated in the Cayman Islands and conduct our core business operations through our operating subsidiaries in China. As a result, our profits available for dividend distribution are dependent on the profits available for distribution from our PRC subsidiaries. The PRC laws permit payment of dividends only out of net income as determined in accordance with PRC accounting standards and regulations. Determination of net income under PRC accounting standards and regulations may differ from determination under the IFRS in significant aspects. Our PRC subsidiaries are required to set aside at least 10% of their net income each year to fund the designated statutory reserve fund until the balance of such fund reaches 50% of the contributing entity's registered capital. The statutory reserve fund is not distributable as cash dividends. As a result, our primary source of funds for dividend payments is subject to these and other legal restrictions and uncertainties.

FINANCIAL INFORMATION

In addition, our available profits for distribution to our shareholders may be subject to contractual restrictions arising from bank borrowings. The declaration and the amount of dividends are in the sole discretion of our directors, subject to our results of operations, financial condition, capital requirements and any other factors which the Board may deem relevant.

We will declare dividends, if any, in Renminbi with respect to our Shares on a per share basis and will pay such dividends in Hong Kong dollars. Any final dividend payment for a fiscal period will be subject to shareholders' approval.

DISTRIBUTABLE RESERVES

The Company was incorporated after June 30, 2007, therefore, it had no distributable reserves as of June 30, 2007.

REQUIREMENT OF STATUTORY ACCOUNTS

Pursuant to both the old Measures on Enterprise Annual Inspection which came into effect in December 1998 and the new Measures on Enterprise Annual Inspection which substitute and replace the old measures from March 2006, PRC limited liability companies and foreign-invested enterprises should submit annual audited report issued by certified public accounts to competent administration of industry and commerce ("AIC") for annual inspection.

In practice, the AICs in some regions of the PRC have simplified the annual inspection process and do not require PRC limited liability companies to submit annual audited report for the purpose of annual inspection. Pursuant to the Opinion Regarding Improvement of Annual Inspection on Enterprises issued by the Beijing AIC in 1999, enterprises are not required to provide audited reports for annual inspection except for those which are identified by the Beijing AIC as important enterprises or those which are in violation of laws and regulations.

In this connection, certain subsidiaries of the Group were not subject to audit during the Track Record Period. Please refer to note 1 to the financial information in Appendix I to this prospectus for details.

UNAUDITED PRO FORMA NET TANGIBLE ASSETS

The following statement of unaudited pro forma adjusted net tangible assets of the Group which has been prepared in accordance with Rule 4.29 of the Listing Rules and on the basis set out below is for illustrative purposes only, and is set out here to illustrate the effect of the Global Offering on the combined net tangible assets of the Group as at June 30, 2007 as if it had been taken place on June 30, 2007.

FINANCIAL INFORMATION

The unaudited pro forma adjusted net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Global Offering been completed as at June 30, 2007 as at any future dates.

	Audited combined net tangible assets of the Group attributable to equity holders of the Company as at 30 June 2007 (Note 1)	Estimated net proceeds from the Global Offering (Note 2)	Unaudited pro forma adjusted net tangible assets	Unaudited pro forma adjusted net tangible assets per Share	
	(RMB in thousands)			RMB	HK\$
Based on the Offer Price of HK\$1.80 per Share	342,594	833,000	1,175,594	0.57	0.60
Based on the Offer Price of HK\$2.40 per Share	342,594	1,121,000	1,463,594	0.71	0.75

Notes:

- (1) The audited combined net tangible assets of the Group attributable to the equity holders of the Company as at June 30, 2007 is based on the audited combined net assets of the Group attributable to the equity holders of the Company as at June 30, 2007 of RMB345,231,000 with an adjustment for the intangible assets as of June 30, 2007 of RMB2,637,000, which are extracted from the Accountants' Report of our Company set out in Appendix I to the Prospectus.
 - (2) The estimated net proceeds from the Global Offering are based on the Offer Price of HK\$1.80 (equivalent to RMB1.71) and HK\$2.40 (equivalent to RMB2.29) per Share, respectively, after deduction of estimated underwriting fees (excluding any incentive fee that may be paid by the Company) and other related expenses and takes no accounts of any Shares which may be issued upon the exercise of the Over-allotment Option or the Pre-IPO Share Option. If the Over-allotment Option is exercised, the unaudited pro forma adjusted net tangible assets attributable to the equity holders of the Company and unaudited pro forma adjusted net tangible assets per Share will increase. We may pay a discretionary incentive fee. The unaudited pro forma adjusted net tangible assets and the unaudited net tangible assets per Share would be reduced if we decide to pay such incentive fee.
 - (3) As of September 30, 2007, the Group's properties were revalued by Savills Valuation and Professional Services Limited, an independent property valuer, and the relevant property valuation report is set out in Appendix V — Property Valuation to this Prospectus. The net valuation surplus, representing the excess of market value of the properties over their carrying value amounting to RMB211.1 million, has not been included in the Group's combined financial information as at June 30, 2007. The above adjustment does not take into account the above revaluation surplus. Had the properties been stated at such valuation, an additional depreciation and amortisation of RMB5.2 million per annum in respect of the revaluation surplus, before income taxes, would be charged against the combine income statement.
 - (4) The unaudited pro forma adjusted net tangible assets per Share is determined after the adjustments as described in note 2 above and on the basis that 2,067,250,000 Shares are issued and outstanding during the entire year, but takes no account of any shares which may be issued upon the exercise of the Over-allotment or the Pre-IPO Share Option.
 - (5) For the purpose of this unaudited pro forma adjusted net tangible assets statement, the balances stated in Renminbi are converted into Hong Kong dollars at the PBOC rate of HK\$1.00 to RMB0.9526 prevailing on November 21, 2007.
 - (6) The unaudited pro forma adjusted net tangible assets does not take into account the effect of the proposed acquisition of 100% equity interest in Beijing Hinen-Hitech Petroleum Technology Development Co., Ltd.. Details of the financial effect of the proposed acquisition are set out in the section headed "C. Unaudited Pro Forma Financial Information on the Enlarged Group" of Appendix III to this prospectus.
 - (7) The unaudited pro forma net tangible assets does not take into account the effect of the additional capital injection from Anton Holdings, amounting to approximately RMB115,742,000 to the Group in September 2007.
- No adjustment has been made to the unaudited pro forma adjusted net tangible assets of the Group to reflect any trading result or other transactions of the Group entered into subsequent to June 30, 2007.

FINANCIAL INFORMATION

Property Valuation

Savills Valuation and Professional Services Limited, an independent property valuer, has valued our property interests as of September 30, 2007. The summary of valuation and the summary valuation certificates are set out in Appendix V to this Prospectus.

A reconciliation of the net book value of the relevant properties and land use rights as of June 30, 2007 to their unaudited net book values of property interests, as stated in Appendix V to this Prospectus, is as follows:

	Properties	Land use rights
	(RMB in thousands)	
Net book value as of June 30, 2007	35,869	13,259
Movements for the period from June 30, 2007 to September 30, 2007		
- Additions	3,266	71
- Disposal	(388)	—
- Depreciation	(160)	(1)
Net book value as of September 30, 2007	38,587	13,329
Valuation appreciation	20,009	192,591
Valuation depreciation	(1,526)	—
Valuation as of September 30, 2007 as per Appendix V to this Prospectus	57,070	205,920

NO MATERIAL ADVERSE CHANGE

We confirm that there has been no material adverse change in our financial or trading position since June 30, 2007 (being the date to which our latest combined financial results were prepared as set out in the Accountants' Report set out in Appendix I to this prospectus).

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

Please see the section headed “Business - Business Strategy” and “Financial Information — Capital Expenditure Plan” in this prospectus for a detailed description of our future plans.

USE OF PROCEEDS

We estimate that the aggregate net proceeds to us from the Global Offering (assuming an Offer Price of HK\$2.10 per Share, being the mid-point of the proposed Offer Price range of HK\$1.80 to HK\$2.40 per Share) will be approximately HK\$1,019 million (equivalent to approximately RMB971 million), after deducting the underwriting commission and estimated expenses payable by us in the Global Offering and assuming that the Over-allotment Option is not exercised and no payment of any discretionary commission.

We currently intend to use these net proceeds principally to fund the Group’s capital expenditure plan for its various business divisions including well services, drilling services, production services and field services, and for potential mergers and acquisitions. As our operations continue to expand, we intend to continue to procure additional equipment, especially for our well services. We believe the procurement of equipment reduces our reliance on providers of leased equipment and enhances our ability to provide services on a timely basis. In particular, we intend to apply these net proceeds in the following manner (although these amounts may change for business reasons or otherwise):

- approximately HK\$73 million (equivalent to approximately RMB69 million) or 7.1% for building manufacturing and research and development facilities in Huairou; which include acquisition of land, construction of workshop and administrative and research and development buildings, acquisition of lab equipment and related software. The research and development centre will be used to support all of our four business divisions. In particular, we intend to set up laboratories for developing materials used in well services and manufacturing of oil production equipment and a drilling equipment testing lab;
- approximately HK\$364 million (equivalent to approximately RMB347 million) or 35.7% for well services division, including equipment procurement such as facturing trucks and coiled tubing trucks and the Hinen-Hitech acquisition. We currently lease fracturing trucks and coiled tubing trucks or use such equipment leased by our customers. We are of the view that by purchasing such equipment, we would be able to ensure that the equipment would be available when needed;
- approximately HK\$109 million (equivalent to approximately RMB104 million) or 10.7% for drilling services division for procurement of service equipment and expanding capacity of our planned joint venture;
- approximately HK\$36 million (equivalent to approximately RMB35 million) or 3.6% for production services division to increase our capacity;
- approximately HK\$109 million (equivalent to approximately RMB104 million) or 10.7% for field services division to expand existing service facilities, establish new facilities domestically and in selected overseas markets. The field services facilities will primarily provide logistical support functions for multiple services that are offered at various locations, and we are of the view that the establishment of permanent service facilities is necessary to support our continued growth and to improve the efficiency of our existing and future operations at these locations;

FUTURE PLANS AND USE OF PROCEEDS

- approximately HK\$219 million (equivalent to approximately RMB208 million) or 21.4% for potential acquisitions;
- approximately RMB109 million (equivalent to approximately RMB104 million) or 10.7% for general corporate purpose, including principally working capital.

To the extent our net proceeds are either more or less than expected, we will adjust our allocation of the net proceeds to the above purposes on a pro rata basis.

The additional net proceeds that we would receive if the Over-allotment Option were exercised in full would be approximately HK\$159 million or equivalent to approximately RMB151 million (assuming the midpoint of the stated Offer Price of HK\$2.10 per Share). If the Over-allotment Option is exercised in full, our Directors intend to apply the net proceeds from the issue of the additional Shares under the Over-allotment Option to the above purposes on a pro rata basis.

If any part of our development plan does not proceed as planned, our Directors will place such funds on short-term deposit for so long as the Directors consider it to be in our best interests and those of our shareholders taken as a whole.

Pending the use of the net proceeds from the Global Offering for the purpose described above, we intend to deposit the proceeds in interest-bearing deposits with licensed banks or authorized third-party financial institutions.

UNDERWRITING

UNDERWRITERS FOR THE PUBLIC OFFER

Credit Suisse (Hong Kong) Limited
J.P. Morgan Securities (Asia Pacific) Limited
Guotai Junan Securities (Hong Kong) Limited
KGI Capital Asia Limited
Taifook Securities Company Limited
Sun Hung Kai International Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

(a) Public Offer

Hong Kong Underwriting Agreement

We are offering 52,000,000 Public Offer Shares (subject to adjustment) for subscription on the terms and subject to the conditions of this prospectus and the Application Forms at the Offer Price. Pursuant to the Hong Kong Underwriting Agreement, the Public Offer is fully underwritten on a several basis by the Hong Kong Underwriters in accordance with their respective underwriting commitments set out in the Hong Kong Underwriting Agreement.

Subject to (i) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares (including the additional Shares to be issued pursuant to the exercise of the Over-allotment Option and options which have been granted under the Pre-IPO Share Option Scheme and which may be granted under Share Option Scheme); and (ii) certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have severally agreed to apply or procure applications, on the terms and conditions of this prospectus and the related Application Forms, for the Hong Kong Offer Shares now being offered and which are not taken up under the Public Offer.

The Hong Kong Underwriting Agreement is conditional on and subject to the International Purchase Agreement having been signed and becoming unconditional.

Grounds for termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Public Offer Shares is subject to termination by notice from the Joint Bookrunners (for themselves and on behalf of the Hong Kong Underwriters) if any of the following events occur prior to 8:00 a.m. on the Listing Date:

- (1) there develops, occurs, exists or comes into force:
 - (i) any change or development involving a prospective change, or any event or series of events resulting in or representing a change or development involving a prospective change, in local, national, regional or international financial, political, military (including any local, national, regional or international outbreak or escalation of hostilities, whether or not war is or has been declared), industrial, economic, currency market, fiscal or regulatory or market conditions (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets, a change in the system under

UNDERWRITING

which the value of the Hong Kong currency is linked to that of the currency of the United States or a revaluation of the Renminbi against any foreign currencies) in or affecting Cayman Islands, Hong Kong, the PRC, the United States, the United Kingdom or Japan; or

- (ii) any new law or regulation, or any change in existing law or regulation, or any change in the interpretation or application thereof by any court or other competent authority in or affecting Cayman Islands, Hong Kong, the PRC, the United States, the United Kingdom or Japan; or
- (iii) any event or series of events in the nature of force majeure (including, without limitation, acts of government, strikes, lock-outs, fire, explosion, flooding, civil commotion, acts of war, acts of terrorism (whether or not responsibility has been claimed), acts of God, pandemic or epidemic (including SARS or H5N1 avian flu or any related or mutated forms thereof), accident or interruption or delay in transportation) or any other state of emergency or calamity or crisis in or affecting Cayman Islands, Hong Kong, the PRC, the United States, the United Kingdom or Japan; or
- (iv) (A) any suspension or limitation on trading in shares or securities generally on the Hong Kong Stock Exchange, the New York Stock Exchange, the Nasdaq National Market, the London Stock Exchange, Shanghai Stock Exchange, Shenzhen Stock Exchange, or the Tokyo Stock Exchange or (B) a general moratorium on commercial banking activities in New York, London, Hong Kong, Japan or the PRC declared by the relevant authorities, or a disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services in or affecting Cayman Islands, Hong Kong, the PRC, the United States, the United Kingdom or Japan; or
- (v) any change or prospective change in taxation or exchange controls, currency exchange rates or foreign investment regulations in Cayman Islands, Hong Kong, the PRC, the United States, the United Kingdom or Japan affecting an investment in the Shares; or
- (vi) any litigation or claim being threatened or instigated against the Company or any of its subsidiaries,

which, in any such case and in the sole and absolute opinion of the Joint Bookrunners acting jointly (for themselves and on behalf of the other Hong Kong Underwriters):

- (a) is or may or will be or is likely to be materially adverse to, or materially and prejudicially affect, the business or financial or trading position or prospects of the Company and its subsidiaries as a whole; or
- (b) has or may have or will have or is likely to have a material adverse effect on the success of the Public Offer or the Global Offering and/or make it impracticable or inadvisable or inexpedient for any material part of this Agreement, the Public Offer or the Global Offering to be performed or implemented as envisaged; or
- (c) makes or will make it impracticable or inadvisable or inexpedient to proceed with the Public Offer and/or the Global Offering or the delivery of the Offer Shares on the terms and in the manner contemplated by this prospectus.

UNDERWRITING

- (2) there has come to the notice of any of the Joint Bookrunners or any of the Hong Kong Underwriters after the date of the Hong Kong Underwriting Agreement:
- (i) that any statement contained in this prospectus, the Application Forms the formal notice to be published in connection with the Public Offer and any announcements in the agreed form issued by the Company in connection with the Public Offer (including any supplement or amendment thereto) was or has become untrue, inaccurate or misleading in any material respect; or
 - (ii) any matter that has arisen or has been discovered which would, had it arisen immediately before the date of this prospectus and not having been disclosed in this prospectus, constitutes a material omission therefrom; or
 - (iii) any of the representations and warranties given by the Company, Pro Development, Avalon Assets Limited, Luo Lin, Ma Jian and Pan Weiguo in the Hong Kong Underwriting Agreement is (or would when repeated be) untrue, inaccurate or misleading in any material respect; or
 - (iv) any event, act or omission which gives or is likely to give rise to any material liability of the Company pursuant to the indemnities given by the Company under the Hong Kong Underwriting Agreement; or
 - (v) any material breach of any of the obligations of the Company under the Hong Kong Underwriting Agreement; or
 - (vi) any material adverse change or prospective material adverse change in the business, results of operations, financial or trading position or prospects of the Company and its subsidiaries as a whole.

Underwriting Commission

The Hong Kong Underwriters will receive an underwriting commission of 3.0% of the aggregate Offer Price payable for the Public Offer Shares initially offered under the Public Offer. In addition, our Company may, at our sole discretion, pay the Joint Bookrunners an additional incentive fee of up to 1.5% of the aggregate Offer Price of the total Offer Shares. For unsubscribed Public Offer Shares reallocated to the International Offer, we will pay an underwriting commission at the rate applicable to the International Offer and such commission will be paid to the Global Coordinator and the relevant International Underwriters (but not Hong Kong Underwriters). Such commission and fees, together with the Stock Exchange listing fees, the Stock Exchange trading fee, the SFC transaction levy, legal and other professional fees, printing and other expenses relating to the Global Offering which are currently estimated to be approximately HK\$72.0 million in aggregate (based on an Offer Price of HK\$2.10 per Share, being the mid-point of the stated price range of the Offer Price between HK\$1.80 and HK\$2.40 per Share, and the assumption that the Over-allotment Option is not exercised) is to be borne by us.

Undertakings

Pursuant to the Hong Kong Underwriting Agreement, we have undertaken to, among others, the Global Coordinator, Joint Bookrunners, the Joint Sponsors, the Hong Kong Underwriters and the International Purchasers that except pursuant to the Global Offering, the Over-allotment Option, the Capitalization Issue

UNDERWRITING

and the exercise of the options under the Pre-IPO Share Option Scheme and the Share Option Scheme, we will not without the prior written consent of the Joint Bookrunners (on behalf of the Hong Kong Underwriters) and unless in compliance with the Listing Rules, during six months from the Listing Date:

- (a) offer, pledge, charge, allot, issue, sell, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, or repurchase, any of the share capital or other securities of the Company or any interest therein (including, but not limited to, any securities convertible into or exercisable or exchangeable for or that represent the right to receive any such Share capital or securities or any interest therein); or
- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any of the share capital or securities of the Company or any interest therein; or
- (c) publicly disclose that the Company will or may enter into any transaction described in paragraphs (a) or (b) above, whether any such transaction described in paragraphs (a) or (b) above is to be settled by delivery of the share capital or such other securities of the Company, in cash or otherwise.

Each of Luo Lin, Avalon Assets Limited and Pro Development jointly and severally, undertakes to the Global Coordinator, Joint Bookrunners, the Joint Sponsors and the Hong Kong Underwriters that save for the transfer of any Shares pursuant to the Stock Borrowing Agreement, none of them or any of their associates (as defined in the Listing Rules) or any company controlled by them nor any nominee or trustee holding in trust for them will sell, transfer or otherwise dispose of or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any of the Shares owned or held by them of their relevant company, nominee or trustee immediately after completion of the Global Offering or sell, transfer or otherwise dispose of (save pursuant to pledge or charge as security for a bona-fide commercial loan or otherwise permitted under the Listing Rules) or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any interest in any shares in any company controlled by any of them which is, directly or indirectly, interested in any Shares in the period commencing on the date of the prospectus and ending on the date which is six months from the Listing Date (the “First Six-month Period”).

Each of Luo Lin, Avalon Assets Limited and Pro Development jointly and severally, undertakes to the Global Coordinator, Joint Bookrunners, the Joint Sponsors and the Hong Kong Underwriters that none of them or any of their associates (as defined in the Listing Rules) or any company controlled nor any nominee or trustee holding in trust for any of them will, during the period of six months commencing on the date on which the First Six-month Period expires (the “Second Six-month Period”), sell, transfer or otherwise dispose of or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any of the Shares owned or held by them or their relevant company, nominee or trustee immediately after completion of the Global Offering or sell, transfer or otherwise dispose of (save pursuant to a pledge or charge as security for a bona-fide commercial loan or otherwise permitted under the Listing Rules) or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any interest in any shares in any company controlled by them which is directly or indirectly interested in any Shares, if immediately following such disposal or upon the exercise or

UNDERWRITING

enforcement of such options, Luo Lin, Avalon Assets Limited and Pro Development, and/or any companies controlled by them, their nominee or trustee would cease to be a controlling shareholder of the Company and that, in the event of such disposal, such disposal will be effected in such a manner so as not to create a disorderly or false market to the Shares.

Each of Luo Lin, Avalon Assets Limited and Pro Development further agrees with each of the Global Coordinator, Joint Bookrunners, Joint Lead Managers and Joint Sponsors that he/it shall, at any time within the period commencing on the date of this prospectus and ending on the date which is 12 months after the Listing Date:

- upon any pledge or charge in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) of any shares of the Stock or securities or interests in the shares of the Stock or securities of the Company beneficially owned by he/it for a bona fide commercial loan, immediately inform the Company and the Joint Sponsors in writing of such pledge or charge together with the number of shares of the Stock or securities so pledged or charged; and
- upon any indication received by he/it, either verbal or written, from any pledgee or chargee that any of the pledged or charged Shares or securities or interests in the Shares will be disposed of, immediately inform the Company and the Joint Sponsors in writing of such indications.

Each of Anton Management Development Holdings Corp., Brewster Holdings Limited, Citius Investment Limited, Ma Jian and He Zhigang, jointly and severally, undertakes to the Global Coordinator, Joint Bookrunners, the Joint Sponsors and the Hong Kong Underwriters that none of them or any of their associates (as defined in the Listing Rules) or any company controlled by them nor any nominee or trustee holding in trust for them will sell, transfer or otherwise dispose of or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any of the Shares owned or held by them of their relevant company, nominee or trustee immediately after completion of the Global Offering or sell, transfer or otherwise dispose of (save pursuant to pledge or charge as security for a bona-fide commercial loan or otherwise permitted under the Listing Rules) or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any interest in any shares in any company controlled by any of them which is directly or indirectly interested in any Shares in the period commencing on the date of the prospectus and ending on the date which is six months from the Listing Date.

We agree and undertake to the Stock Exchange that, upon receiving such information in writing from any of the above persons or group of persons, we shall inform the Stock Exchange as soon as possible and disclose such matters by way of a press announcement as soon as possible.

(b) International Offer

International Purchase Agreement

In connection with the International Offer, we will enter into the International Purchase Agreement with, among others, the International Purchasers and the Joint Bookrunners. Under the International Purchase Agreement, the International Purchasers, subject to certain conditions, will agree severally to purchase, or procure purchasers for, the International Offer Shares being offered pursuant to the International Offer.

UNDERWRITING

Under the International Purchase Agreement, we will grant to the International Purchasers the Over-allotment Option, exercisable by the Joint Bookrunners on behalf of the International Purchasers from the date of the International Purchase Agreement until 30 days after the last day for lodging of applications under the Public Offer, to require the Company to allot and issue up to an aggregate of 78,000,000 additional Shares, representing in aggregate 15% of the maximum number of Offer Shares initially available under the Global Offering at the Offer Price solely to cover over-allocations, if any, in the International Offer.

We will agree to indemnify the International Purchasers against certain liabilities, including liabilities under the U.S. Securities Act.

Hong Kong Underwriters' Interests in the Company

Save as disclosed in the section headed “History and Reorganization — Pre-IPO Investment” in this prospectus and save for their obligations under the Hong Kong Underwriting Agreement, none of the Hong Kong Underwriters has any shareholding interests in the Group or the right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in any member of the Group.

JPMorgan Asia Pacific satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

Erdos holds 24.23% of the issued capital of the Company immediately prior to the Global Offering. As Erdos is an associate of the controlling shareholder of Credit Suisse, it is regarded as a member of Credit Suisse’s sponsor group as defined in the Listing Rules. Thus, Credit Suisse does not satisfy the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

STRUCTURE OF THE GLOBAL OFFERING

The Global Offering

This prospectus is published in connection with the Public Offer as part of the Global Offering. The Global Offering comprises:

- (i) the Public Offer of 52,000,000 Shares (subject to adjustment as mentioned below) in Hong Kong as described in the paragraph headed “The Public Offer” below; and
- (ii) the International Offer of an aggregate of 468,000,000 Shares (subject to adjustment and the Over-allotment Option as mentioned below) outside the United States (including to professional and institutional investors within Hong Kong) in reliance on Regulation S and in the United States to QIBs in reliance on Rule 144A.

Investors may apply for Shares under the Public Offer or apply for or indicate an interest, if qualified to do so, for Offer Shares under the International Offer, but may not do both. The Public Offer is open to members of the public in Hong Kong as well as professional and institutional investors.

The Public Offer

Number of Shares initially offered

The Public Offer of initially 52,000,000 Shares at the Offer Price (representing 10% of the total number of Shares initially available under the Global Offering) is fully underwritten (subject to agreement as to pricing and satisfaction or waiver of the other conditions set out in the Hong Kong Underwriting Agreement) for subscription in Hong Kong. Subject to the reallocation of Shares between the International Offer and the Public Offer, the Public Offer Shares will represent approximately 2.52% of the Company’s enlarged issued share capital immediately after completion of the Global Offering and the Capitalization Issue assuming that the Over-allotment Option is not exercised. If the Over-allotment Shares is exercised in full, the Public Offer Shares will represent approximately 2.42% of the enlarged issued share capital immediately after completion of the Global Offering, the Capitalization Issue and the exercise of the Over-allotment Option as set out in the paragraph headed “Over-allotment Option” below.

Allocation

The total number of the Company’s Shares available under the Public Offer (after taking account of any reallocation referred to below) is to be divided into two pools for allocation purposes: pool A and pool B. The Shares in pool A will be allocated on an equitable basis to applicants who have applied for the Shares with an aggregate subscription price of HK\$5 million (excluding the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable) or less. The Shares in pool B will be allocated on an equitable basis to applicants who have applied for the Shares with an aggregate subscription price of more than HK\$5 million (excluding the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable). Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If the Shares in one (but not both) of the pools are undersubscribed, the surplus Shares will be transferred to the other pool to satisfy demand in that pool and be allocated accordingly. If any Shares remain unsubscribed after the transfer (from one pool to the other pool) and allocation, all or any of the surplus Shares may be reallocated from the Public Offer to the International Offer at the absolute discretion (but not under any obligation) of the Joint Bookrunners in such amounts as they deem appropriate. Applicants can only receive an allocation of the Shares from either pool A or pool B but not from both pools.

STRUCTURE OF THE GLOBAL OFFERING

Multiple or suspected multiple applications and any application for more than 26,000,000 Shares will be rejected. Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the application form submitted by him that he and any person(s) for whose benefit he is making the application have not indicated an interest for or taken up and will not indicate an interest for or take up any Shares under the International Offer, and such applicant's application will be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be).

Reallocation and adjustment

The allocation of Shares between the Public Offer and the International Offer is subject to adjustment. If the number of Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times the number of Shares initially available for subscription under the Public Offer, then Shares will be reallocated to the Public Offer from the International Offer, so that the total number of Shares available under the Public Offer will be 156,000,000 Shares, representing 30% of the Offer Shares initially available under the Global Offering. If the number of Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times the number of Shares initially available for subscription under the Public Offer, then the number of Shares to be reallocated to the Public Offer from the International Offer will be increased so that the total number of Shares available under the Public Offer will be 208,000,000 Shares, representing 40% of the Offer Shares initially available under the Global Offering. If the number of Shares validly applied for under the Public Offer represents 100 times or more the number of Shares initially available for subscription under the Public Offer, then the number of Shares to be reallocated to the Public Offer from the International Offer will be increased, so that the total number of Shares available under the Public Offer will be 260,000,000 Shares, representing 50% of the Offer Shares initially available under the Global Offering. In each such case, the additional Shares reallocated to the Public Offer will be allocated between pool A and pool B on an equitable basis and the number of Shares allocated to the International Offer will be correspondingly reduced.

In addition, if the Public Offer is not fully subscribed, the Joint Bookrunners will have the absolute discretion (but shall not be under any obligation) to reallocate to the International Offer all or any unsubscribed Public Offer Shares in such amounts as they deem appropriate.

References in this prospectus to applications, Application Forms, application or subscription money or the procedure for application relate solely to the Public Offer.

Applications

Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the Application Form submitted by him that he and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offer, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or if he has been or will be placed or allocated Offer Shares under the International Offer.

The listing of the Shares on the Stock Exchange is sponsored by the Joint Sponsors. Applicants under the Public Offer are required to pay, on application, the maximum price of HK\$2.40 per Share in addition to any brokerage, SFC transaction levy and Stock Exchange trading fee payable on each Share. If the Offer Price, as finally determined in the manner described in the paragraph headed "Pricing of the Global Offering"

STRUCTURE OF THE GLOBAL OFFERING

below, is less than the maximum price of HK\$2.40 per Share, appropriate refund payments (including the brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application money) will be made to successful applicants, without interest. Further details are set out below in the section headed “How to Apply For Public Offer Shares.”

References in this prospectus to applications, Application Forms, application money or the procedure for application relate solely to the Public Offer.

The International Offer

Number of Shares offered

Subject to adjustment and the Over-allotment Option, the International Offer will consist of an aggregate of 468,000,000 Shares.

Allocation

The International Offer will include selective marketing of 468,000,000 Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of Shares pursuant to the International Offer will be effected in accordance with the “book-building” process described in the paragraph headed “Pricing of the Global Offering” below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares, and/or hold or sell its Shares, after the listing of the Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of the Company and its shareholders as a whole.

The Joint Bookrunners (on behalf of the Underwriters) may require any investor who has been offered Shares under the International Offer, and who has made an application under the Public Offer to provide sufficient information to the Joint Bookrunners so as to allow them to identify the relevant applications under the Public Offer and to ensure that it is excluded from any application of Shares under the Public Offer.

The Joint Bookrunners have the absolute discretion (but shall not be under any obligation) to reallocate to the Public Offer all or any International Offer Shares in such amounts as they deem appropriate.

Over-allotment Option and Stock Borrowing Arrangement

In connection with the Global Offering, the Company is expected to grant an Over-allotment Option to the International Purchasers exercisable by the Joint Bookrunners on behalf of the International Purchasers.

STRUCTURE OF THE GLOBAL OFFERING

Pursuant to the Over-allotment Option, the Joint Bookrunners have the right, exercisable at any time from the date of the International Purchase Agreement until 30th day after the last day of lodging applications under the Public Offer which is expected to be on or around January 5, 2008, to require the Company to allot and issue up to 78,000,000 additional Offer Shares, representing 15% of the initial Offer Shares, at the same price per Offer Share under the International Offer solely for the purpose of covering over-allocation in the International Offer, if any.

The Joint Bookrunners may, at their option, also cover any over-allocations by, among other means, purchasing Shares in the secondary market or through stock borrowing arrangements from holders of Shares or exercise of the Over-allotment Option, or by a combination of these means or otherwise as may be permitted under applicable laws. Any such secondary market purchases will be made in compliance with all applicable laws, rules and regulations. The maximum number of Shares that may be over-allocated in the International Offer shall not exceed the number of Shares that may be sold under the Over-allotment Option. In the event that the Over-allotment Option is exercised, an announcement will be published in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese).

In order to facilitate settlement of over-allocations in connection with the International Offer, Pro Development and the Global Coordinator have entered into the Stock Borrowing Agreement. Under the Stock Borrowing Agreement, Pro Development, our controlling shareholder, will agree with the Global Coordinator, that if requested by the Global Coordinator, it will, subject to the terms of the Stock Borrowing Agreement, make available to the Global Coordinator up to 78,000,000 Shares held by Pro Development, by way of stock lending, in order to cover over-allocations in connection with the International Offer.

The Stock Borrowing Agreement, in compliance with Rule 10.07(3) of the Listing Rules, provides that:

- such stock borrowing arrangement will only be effected by the Global Coordinator for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option;
- the maximum number of Shares to be borrowed from Pro Development under the Stock Borrowing Agreement will be limited to the maximum number of Shares which may be issued upon exercise of the Over-allotment Option;
- the same number of Shares so borrowed may be returned to its nominees not later than the third business day following the earlier of (i) the last date on which the Shares may be issued by the Company pursuant to the Over-allotment Option, or (ii) the date on which the Over-allotment Option is exercised in full;
- the stock borrowing arrangement under the Stock Borrowing Agreement will be effected in compliance with all applicable laws, rules and regulatory requirements; and
- no payment will be made to the Global Coordinator or its authorized agents in relation to such borrowing arrangement.

STRUCTURE OF THE GLOBAL OFFERING

Stabilization

In connection with the Global Offering, Credit Suisse (Hong Kong) Limited will be appointed by the Company as its stabilizing manager. The Stabilizing Manager, or any person acting for it, may over-allocate or effect any other transactions with a view to stabilizing or maintaining the market price of our Shares at a level higher than that which might otherwise prevail in the open market for a limited period after the day on which trading of our Shares commences on the Stock Exchange. Such stabilization transactions may include exercising the Over-allotment Option, stock borrowing, making market purchases of Shares in the secondary market or selling Shares to liquidate a position held as a result of those purchases. Any market purchases of Shares will be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilizing Manager or any person acting for it to conduct any such stabilizing activity, which if commenced, will be done at the absolute discretion of the Stabilizing Manager and may be discontinued at any time. Any such stabilization activity is required to be brought to an end within 30 days of the last day for lodging applications under the Public Offer which is expected to be on or around January 5, 2008.

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, to retard, and if possible, prevent any decline in the market price of the securities below the offer price. In Hong Kong and certain other jurisdictions, the price at which stabilization is effected is not permitted to exceed the offer price.

The Stabilizing Manager or any person acting for it may take all or any of the following stabilizing actions in Hong Kong during the stabilization period:

- (i) purchase, or agree to purchase, any of our Shares or offer or attempt to do so for the sole purpose of preventing or minimising any reduction in the market price of our Shares:
- (ii) in connection with any action described in paragraph (i) above:
 - (a) (1) over-allocate our Shares; or
 - (2) sell or agree to sell our Shares so as to establish a short position in them, for the sole purpose of preventing or minimising any reduction in the market price of our Shares;
 - (b) exercise the Over-allotment Option and subscribe for or agree to subscribe for our Shares in order to close out any position established under paragraph (a) above;
 - (c) sell or agree to sell any of our Shares acquired by it in the course of the stabilizing action referred to in paragraph (i) above in order to liquidate any position that has been established by such action; or
 - (d) offer or attempt to do anything as described in paragraph (ii)(a)(2), (ii)(b) or (ii)(c) above.

As a result of effecting transactions to stabilise or maintain the market price of our Shares, the Stabilizing Manager, or any person acting for it, may maintain a long position in our Shares. The size of the long position, and the period for which the Stabilizing Manager (or any person acting for it) will maintain the long position is at the discretion of the Stabilizing Manager and is uncertain. In the event that the Stabilizing Manager liquidates this long position by making sales in the open market, this may lead to a decline in the market price of the Shares.

STRUCTURE OF THE GLOBAL OFFERING

Stabilizing action by the Stabilizing Manager, or any person acting for it, is not permitted to support the price of our Shares for longer than the stabilizing period, which begins on the day on which trading of our Shares commences on the Stock Exchange and ends within 30 days of the last day of lodging applications under the Public Offer which is expected to be on or around January 5, 2008. Within seven days after the end of the stabilization period, the Company will make a public announcement disclosing information in compliance with section 9 and Schedule 3 of the Securities and Futures (Price Stabilizing) Rules. As a result, demand for our Shares, and their market price, may fall after the end of the stabilizing period.

Any stabilizing action taken by the Stabilizing Manager, or any person acting for it, may not necessarily result in the market price of the Shares staying at or above the Offer Price either during or after the stabilizing period. Bids for or market purchases of the Shares by the Stabilizing Manager, or any person acting for it, may be made at a price at or below the Offer Price and therefore at or below the price paid for the Shares by purchasers.

Pricing of the Global Offering

The International Purchasers will be soliciting from prospective investors indications of interest in acquiring Shares in the International Offer. Prospective professional and institutional investors will be required to specify the number of Shares under the International Offer they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building,” is expected to continue up to, and to cease on or around, the last day for lodging applications under the Public Offer.

Pricing for the Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or before December 7, 2007, and in any event no later than December 10, 2007 by agreement between the Joint Bookrunners (on behalf of the Underwriters) and the Company and the number of Shares to be allocated under various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK\$2.40 per Share and is expected to be not less than HK\$1.80 per Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Public Offer. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative offer price range stated in this prospectus.

The Joint Bookrunners (on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with the Company’s consent, reduce the number of Offer Shares and/or the indicative offer price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Public Offer. In such a case, the Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Public Offer, cause there to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) a notice of the reduction in the number of Offer Shares and/or the indicative offer price range. Upon issue of such a notice, the revised number of Offer Shares and/or the offer price range will be final and conclusive and the Offer Price, if agreed upon by the Joint Bookrunners (on behalf of the Underwriters) and the Company, will be fixed within such revised offer price range. Applicants should have regard to the possibility that any announcement of a reduction in the indicative offer price range may not be made until the day which is the last day for lodging applications under the Public Offer. Such notice will also include confirmation or revision, as appropriate, of the working capital

STRUCTURE OF THE GLOBAL OFFERING

statement and the profit forecast for the year ending December 31, 2007 and the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of such reduction. Applicants under the Public Offer should note that in no circumstances can applications be withdrawn once submitted, even if the offer price range is so reduced. In the absence of any such notice so published, the Offer Price, if agreed upon with the Company and the Joint Bookrunners, will under no circumstances be set outside the offer price range as stated in this prospectus.

The final Offer Price, the indications of interest in the Global Offering, the results of applications and the basis of allocations of Shares available under the Public Offer, are expected to be announced on December 13, 2007 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese), and on our website at www.antonoil.com.

Underwriting Agreements

The Public Offer is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to the Company and the Joint Bookrunners (on behalf of the Underwriters), agreeing on the Offer Price.

The Company expects to enter into the International Purchase Agreement relating to the International Offer on the Price Determination Date.

These underwriting arrangements, and the respective Underwriting Agreements, are summarized in the section headed "Underwriting."

Dealing

Assuming that the Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on December 14, 2007, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:30 a.m. on December 14, 2007.

Conditions of the Global Offering

Acceptance of all applications for the Offer Shares is conditional on:

- (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and the Application Forms (including any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option) and the additional Shares which may be issued pursuant to the exercise of the options which have been granted under the Pre-IPO Share Option Scheme and which may be granted under the Share Option Scheme; and
- (ii) the Offer Price having been determined and execution and delivery of the International Purchase Agreement on or around the Price Determination Date; and
- (iii) the obligations of the Underwriters under each of the respective Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements,

STRUCTURE OF THE GLOBAL OFFERING

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than January 2, 2008. If, for any reason, the Offer Price is not agreed between the Company and the Joint Bookrunners (on behalf of the Underwriters), the Global Offering will not proceed and will lapse. The consummation of each of the Public Offer and the International Offer is conditional upon, among other things, the other offerings becoming unconditional and not having been terminated in accordance with their respective terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Public Offer will be published by the Company in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on the next day following such lapse. In such eventuality, all application money will be returned, without interest, on the terms set out in “How to Apply for Public Offer Shares.” In the meantime, all application money will be held in (a) separate bank account(s) with the receiving bankers or other licensed bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for the Offer Shares will only become valid certificates of title at 8:00 a.m. on December 14, 2007 provided that (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in the section headed “Underwriting — Underwriting Arrangements and Expenses — Hong Kong Underwriting Agreement — Grounds for Termination” has not been exercised.

HOW TO APPLY FOR PUBLIC OFFER SHARES

I. METHODS OF APPLYING FOR PUBLIC OFFER SHARES

There are three ways to make an application for the Public Offer Shares. You may either (i) use a **White** or **Yellow** Application Form; (ii) apply online through the designated website of the White Form eIPO Service Provider, referred to herein as the “**White Form eIPO**” service (www.eipo.com.hk); or (iii) give electronic application instructions to HKSCC to cause HKSCC Nominees to apply for the Public Offer Shares on your behalf. Except where you are a nominee and provide the required information in your application, you or you and your joint applicant(s) may not make more than one application (whether individually or jointly) by applying on a **WHITE** or **YELLOW** Application Form or applying online through **White Form eIPO** service or by giving electronic application instructions to HKSCC.

II. WHO CAN APPLY FOR PUBLIC OFFER SHARES

You can apply for the Public Offer Shares available for subscription by the public on a **WHITE** or **YELLOW** Application Form if you or any person(s) for whose benefit you are applying, are an individual, and:

- are 18 years of age or older;
- have a Hong Kong address;
- are not a U.S. person (as defined in Regulation S);
- are outside the United States; and
- are not a legal or natural person of the PRC (except qualified domestic institutional investors).

If you wish to apply for Public Offer Shares online through the **White Form eIPO** service, in addition to the above you must also:

- have a valid Hong Kong identity card number, and
- be willing to provide a valid e-mail address and a contact telephone number.

You may only apply by means of the **White Form eIPO** service if you are an individual applicant. Corporations or joint applicants may not apply by means of **White Form eIPO**.

If the applicant is a firm, the application must be in the names of the individual members, not the firm’s name. If the applicant is a body corporate, the application form must be signed by a duly authorized office, who must state his or her representative capacity.

If an application is made by a person duly authorized under a valid power of attorney, the Joint Bookrunners (or their respective agents or nominees) may accept it at their discretion, and subject to any conditions they think fit, including production of evidence of the authority of the attorney.

The number of joint applicants may not exceed four.

We, the Joint Bookrunners or the designated White Form eIPO Service Provider (where applicable) or our or their respective agents have full discretion to reject or accept any application, in full or in part, without assigning any reason.

HOW TO APPLY FOR PUBLIC OFFER SHARES

The Public Offer Shares are not available to existing beneficial owners of Shares, or Directors or chief executives of the Company or any of its subsidiaries, or their respective associates (as defined in the Listing Rules) or any other connected persons (as defined in the Listing Rules) of the Company.

You may apply for Public Offer Shares under the Public Offer or indicate an interest for International Offer Shares under the International Offer, but may not do both.

III. APPLYING BY USING AN APPLICATION FORM

Which Application Form to use

Use a **WHITE** Application Form if you want the Public Offer Shares issued in your own name.

Use a **YELLOW** Application Form if you want the Public Offer Shares issued in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.

Where to collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus from:

- any of the following offices of the Hong Kong underwriters:

<u>Name</u>	<u>Address</u>
Credit Suisse (Hong Kong) Limited	45th Floor, Two Exchange Square, Central, Hong Kong
J.P. Morgan Securities (Asia Pacific) Limited	28th Floor, Chater House, 8 Connaught Road, Central, Hong Kong
Guotai Junan Securities (Hong Kong) Limited	27th Floor, Low Block, Grand Millennium Plaza, 181 Queen's Road Central, Hong Kong
KGI Capital Asia Limited	27th Floor, ICBC Tower, Citibank Plaza, 3 Garden Road, Central, Hong Kong
Taifook Securities Company Limited	25th Floor, New World Tower, 16-18 Queen's Road Central, Hong Kong
Sun Hung Kai International Limited	1201 CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong

- or any of the following branches of Hang Seng Bank Limited:

	<u>Branch Name</u>	<u>Address</u>
Hong Kong	Head Office	83 Des Voeux Road Central
	Wanchai Branch	200 Hennessy Road
	Quarry Bay Branch	989 King's Road

HOW TO APPLY FOR PUBLIC OFFER SHARES

Kowloon	Causeway Bay Branch	28 Yee Wo Street
	Des Voeux Road West Branch	52 Des Voeux Road West
	Tsimshatsui Branch	18 Carnavon Road
	Yaumatei Branch	363 Nathan Road
	Kowloon Main Branch	618 Nathan Road
	Hung Hom Branch	21 Ma Tau Wai Road
	Kowloon Bay Branch	Shop P18-P19 Telford Gardens
New Territories	Shatin Branch	Shop 18 Lucky Plaza, Wang Pok Street, Shatin
	Tsuen Wan Branch	289 Sha Tsui Road, Tsuen Wan

- or any of the following branches of Industrial and Commercial Bank of China (Asia) Limited:

	<u>Branch Name</u>	<u>Address</u>
Hong Kong	Sheung Wan Branch	Shop F, G/F, Kai Tak Commercial Building, 317-319 Des Voeux Road Central, Sheung Wan
	Central Branch	1/F., 9 Queen's Road Central
	Wan Chai Road Branch	G/F, 103-103A Wan Chai Road
	North Point Branch	G/F, 436-438 King's Road, North Point
Kowloon	Hung Hom Branch	Shop 2A, G/F, Hung Hom Shopping Mall, 2-34E Tak Man Street, Hung Hom,
	Mei Foo Branch	Shop N95A, 1/F, Mount Sterling Mall, Mei Foo Sun Chuen
	Tsimshatsui Branch	Shop 6-7, G/F., Hankow Centre, 5-15 Hankow Road, Tsimshatsui
	Kwun Tong Branch	G/F., Lemmi Centre, 50 Hoi Yuen Road, Kwun Tong
New Territories	Kwai Fong Branch	C63A-C66, 2/F, Kwai Chung Plaza, Kwai Fong
	Tseung Kwan O Branch	Shop Nos. 2011-2012, Level 2, Metro City, Plaza II, 8 Yan King Road, Tseung Kwan O
	Tsuen Wan Castle Peak Road Branch	G/F, 423-427 Castle Peak Road, Tsuen Wan
	Yuen Long Branch	G/F., 197-199 Castle Peak Road, Yuen Long

HOW TO APPLY FOR PUBLIC OFFER SHARES

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, December 3, 2007 until 12:00 noon on Thursday, December 6, 2007 from:

- the Depository Counter of HKSCC at 2nd Floor, Vicwood Plaza, 199 Des Voeux Road Central, Hong Kong; or
- your stockbroker, who may have such Application Forms and this prospectus available.

How to complete the Application Form

There are detailed instructions on each Application Form. You should read these instructions carefully. If you do not follow the instructions your application may be rejected and returned by ordinary post together with the accompanying cheque(s) or banker's cashier order(s) to you (or the first-named applicant in the case of joint applicants) at your own risk to the address stated in the Application Form.

In order for the **YELLOW** Application Forms to be valid:

You, as the applicant(s), must complete the **YELLOW** Application Forms as indicated below and sign on the first page of the **YELLOW** Application Form. Only written signatures will be accepted.

- (i) **If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant):**
 - (a) the designated CCASS Participant must endorse the form with its company chop (bearing its company name) and insert its participant I.D. in the appropriate box.
- (ii) **If you are applying as an individual CCASS Investor Participant:**
 - (a) the form must contain your name and Hong Kong I.D. Card number;
 - (b) your participant I.D. must be inserted in the appropriate box.
- (iii) **If you are applying as a joint individual CCASS Investor Participant:**
 - (a) the form must contain all joint investor participants' names and the Hong Kong I.D. Card number of all joint investor participants;
 - (b) your participant I.D. must be inserted in the appropriate box.
- (iv) **If you are applying as a corporate CCASS Investor Participant:**
 - (a) the form must contain your company name and Hong Kong Business Registration number;
 - (b) your participant I.D. and your company chop (bearing your company name) must be inserted in the appropriate box.

Incorrect or omission of details of the CCASS Investor Participant (including participant I.D. and/or company chop bearing the company name, or other similar matters may render the application invalid.)

HOW TO APPLY FOR PUBLIC OFFER SHARES

Nominees who wish to submit separate applications in their names on behalf of different beneficial owners are requested to designate on each Application Form in the box marked “For nominees” account numbers or other identification codes for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner.

If your application is made through a duly authorized attorney, we and the Joint Bookrunners as our agent may accept it at our discretion, and subject to any conditions we think fit, including evidence of the authority of your attorney. We and the Joint Bookrunners, in its capacity as our agent, will have full discretion to reject or accept any application, in full or in part, without assigning any reason.

Effect of making any application

All applications

You should note that by signing on the Application Form, amongst other things, you:

- Instruct and authorise our Company and/or the Joint Bookrunners (or their respective agents or nominees) to execute any transfer forms, contract notes or other documents on your behalf and to do on your behalf all other things necessary to effect the registration of any Public Offer Shares allocated to you in your name(s) or HKSCC Nominees, as the case may be, as required by our articles of association and otherwise to give effect to the arrangements described in this prospectus and the relevant Application Form;
- Undertake to sign all documents and to do all things necessary to enable you or HKSCC Nominees, as the case may be, to be registered as the holder of the Public Offer Shares allocated to you, and as required by the Articles of Association;
- Represent and warrant that you understand that the Shares have not been and will not be registered under the U.S. Securities Act and you are outside the United States when completing the Application Form and you are not a U.S. Person;
- Confirm that you have received a copy of this prospectus and have only relied on the information and representations contained in this prospectus in making the application, and not on any other information or representation concerning our Company and you agree that none of our Company, the Global Coordinator, the Joint Sponsors, the Joint Lead Managers, the Joint Bookrunners or the Underwriters nor any of their respective directors, officers, employees, partners, agents, advisers or any other parties involved in the Global Offering will have any liability for any such other information or representations;
- Agree (without prejudice to any other rights which you may have) that once the application has been accepted, you may not rescind it because of an innocent misrepresentation;
- If the application is made for your own benefit, warrant that the application is the only application which will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC via CCASS or to the designated White Form eIPO Service Provider via **White Form eIPO** service (www.eipo.com.hk);
- If the application is by an agent on your behalf, warrant that you have validly and irrevocably conferred on the agent all necessary power and authority to make the application;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- If you are an agent for another person, warrant that reasonable enquiries have been made of that other person that the application is the only application which will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC via CCASS or to the designated White Form eIPO Service Provider via **White Form eIPO** service (www.eipo.com.hk), and that you are duly authorised to sign the Application Form or to give electronic application instruction as that other person's agent;
- Undertake and confirm that you (if the application is made for your benefit) or the person(s) for whose benefit you have made the application have not applied for or taken up or indicated an interest in or received or been placed or allocated (including conditionally and/or provisionally) and will not apply for or take up or indicate any interest in any International Offer Shares in the International Offer, nor otherwise participate in the International Offer;
- Warrant the truth and accuracy of the information contained in your application;
- Agree to disclose to our Company, our Hong Kong branch share registrar, the receiving bankers, the Global Coordinator, the Joint Sponsors, the Joint Lead Managers, the Joint Bookrunners and their respective agents any personal data and information about you or the person(s) for whose benefit you have made the application;
- Agree that the application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;
- Undertake and agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;
- Agree that once your application is accepted, your application will be evidenced by the results of the Public Offer made available by the Company;
- Authorise our Company to place your name(s) or the name of HKSCC Nominees, as the case may be, on our register of members as the holder(s) of any Public Offer Shares allocated to you, and our Company and/or our agents to send any Share certificate(s) (where applicable) and/or any refund cheque (where applicable) to you or (in case of joint applicants) the first-named applicant in the Application Form by ordinary post at your own risk to the address stated on your Application Form (except if you have applied for 1,000,000 Public Offer Shares or more and have indicated in the Application Form that you will collect the Share certificate(s) (where applicable) and/or refund cheque (as applicable) in person in accordance with the terms set out in this prospectus);
- Understand that these declarations and representations will be relied upon by our Company and the Joint Bookrunners in deciding whether or not to make any allotment of Public Offer Shares in response to your application;
- If the laws of any place outside Hong Kong are applicable to your application, you agree and warrant that you have complied with all such laws and none of our Company, the Global Coordinator, the Joint Sponsors, the Joint Lead Managers, the Joint Bookrunners or the Underwriters nor any of their respective directors, employees, partners, agents, officers or advisers will infringe any laws outside Hong Kong as a result of the acceptance of your offer to acquire, or any actions arising from your rights and obligations under the terms and conditions contained in this prospectus;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- Agree with us, for ourselves and the benefit of each of our Shareholders, and we agree with each of our Shareholders, to observe and comply with the Cayman Companies Law, our memorandum of association and the Articles of Association;
- Agree with us, for ourselves and for the benefit of each of our Shareholders, that the Shares are freely transferable by our Shareholders;
- Authorise us to enter into a contract on your behalf with each of our Directors and officers under which such Directors and officers undertake to observe and comply with their obligations to Shareholders stated in our memorandum of association and our articles of association; and
- Confirm that you are aware of the restrictions on offering of the Public Offer Shares described in this prospectus.

*Applications using a **YELLOW** Application Form*

If you apply for the Public Offer Shares using a **YELLOW** Application Form, in addition to the confirmations and agreements referred to in the subsection above entitled “All applications”, you (and in the case of joint applicants, each of you jointly and severally) agree that:

- Any Public Offer Shares allocated to you shall be registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant, in accordance with your election on the Application Form;
- Each of HKSCC and HKSCC Nominees reserves the right at its absolute discretion: (i) not to accept any or part of the Public Offer Shares allocated to you in the name of HKSCC Nominees or not to accept such allocated Public Offer Shares for deposit into CCASS; (ii) to cause such allocated Public Offer Shares to be withdrawn from CCASS and transferred into your name (or, in the case of joint applicants, to the name of the first-named applicant) at your own risk and costs; and (iii) to cause such allocated Public Offer Shares to be issued in your name (or, in the case of joint applicants, to the first-named applicant) and in such a case, to post the Share certificates for such allocated Public Offer Shares at your own risk to the address on your Application Form by ordinary post or to make available the same for your collection;
- Each of HKSCC and HKSCC Nominees may adjust the number of the Public Offer Shares issued in the name of HKSCC Nominees;
- Neither HKSCC nor HKSCC Nominees shall have any liability for the information and representations not so contained in this prospectus and the Application Form; and
- Neither HKSCC nor HKSCC Nominees shall be liable to you in any way.

HOW TO APPLY FOR PUBLIC OFFER SHARES

How to make payment for the application

Each completed **WHITE** or **YELLOW** Application Form must be accompanied by either one cheque or one banker's cashier order, which must be stapled to the top left hand corner of the Application Form.

If you pay by cheque, the cheque must:

- be in Hong Kong dollars;
- be drawn on your Hong Kong dollar bank account in Hong Kong;
- bear an account name (or, in the case of joint applicants, the name of the first-named applicant) (either pre-printed on the cheque or endorsed on the reverse of the cheque by an authorized signatory of the bank on which it is drawn), which must be the same as the name on your Application Form (or, in the case of joint applicants, the name of the first-named applicant). If the cheque is drawn on a joint account, one of the joint account names must be the same as the name of the first-named applicant);
- be made payable to “Hang Seng (Nominee) Limited — Anton Public Offer”;
- be crossed “Account Payee Only;” and
- not be post dated.

Your application may be rejected if your cheque does not meet all of these requirements or is dishonored on first presentation.

If you pay by banker's cashier order, the banker's cashier order must:

- be in Hong Kong dollars;
- be issued by a licensed bank in Hong Kong and have your name certified on the reverse of the banker's cashier order by an authorized signatory of the bank on which it is drawn. The name on the reverse of the banker's cashier order and the name on the Application Form must be the same. If the application is a joint application, the name on the back of the banker's cashier order must be the same as the name of the first-named applicant;
- be made payable to “Hang Seng (Nominee) Limited — Anton Public Offer”;
- be crossed “Account Payee Only;” and
- not be post dated.

Your application may be rejected if your banker's cashier order does not meet all of these requirements.

The right is reserved to present all or any remittance for payment. However, your cheque or banker's cashier order will not be presented for payment before 12:00 noon on Thursday, December 6, 2007. We will not give you a receipt for your payment. We will keep any interest accrued on your application monies (up until, in the case of monies to be refunded, the date of despatch of refund cheques). The right is also reserved to retain any share certificates and/or any surplus application monies or refunds pending clearance of your cheque or banker's cashier order.

HOW TO APPLY FOR PUBLIC OFFER SHARES

IV. APPLYING THROUGH WHITE FORM eIPO

General

- (i) You may apply through **White Form eIPO** by submitting an application through the designated website at www.eipo.com.hk if you satisfy the relevant eligibility criteria for this as set out in “II. WHO CAN APPLY FOR PUBLIC OFFER SHARES” and on the same website. If you apply through **White Form eIPO**, the Shares will be issued in your own name.
- (ii) Detailed instructions for application through the **White Form eIPO** service are set out on the designated website at www.eipo.com.hk. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected by the designated White Form eIPO Service Provider and may not be submitted to our Company.
- (iii) If you give electronic application instructions through the designated website at www.eipo.com.hk, you will have authorized the designated White Form eIPO Service Provider to apply on the terms and conditions set out in this prospectus, as supplemented and amended by the terms and conditions applicable to the **White Form eIPO** service.
- (iv) In addition to the terms and conditions set out in this prospectus, the designated White Form eIPO Service Provider may impose additional terms and conditions upon you for the use of the **White Form eIPO** service. Such terms and conditions are set out on the designated website at www.eipo.com.hk. You will be required to read, understand and agree to such terms and conditions in full prior to making any application.
- (v) By submitting an application to the designated White Form eIPO Service Provider through the **White Form eIPO** service, you are deemed to have authorized the designated White Form eIPO Service Provider to transfer the details of your application to our Company and our registrars.
- (vi) You may submit an application through the **White Form eIPO** service in respect of a minimum of 2,000 Public Offer Shares. Each electronic application instruction in respect of more than 2,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms, or as otherwise specified on the designated website at www.eipo.com.hk.
- (vii) You should give **electronic application instructions** through **White Form eIPO** at the times set out in the paragraph headed “VII. WHEN MAY APPLICATIONS BE MADE” below.
- (viii) You should make payment for your application made by **White Form eIPO** service in accordance with the methods and instructions set out in the designated website at www.eipo.com.hk. **If you do not make complete payment of the application monies (including any related fees) on or before 12:00 noon on Thursday, December 6, 2007, or such later time as described under the paragraph headed “Effect of bad weather on the opening of the application lists” below, the designated White Form eIPO Service Provider will reject your application and your application monies will be returned to you in the manner described in the designated website at www.eipo.com.hk.**

HOW TO APPLY FOR PUBLIC OFFER SHARES

- (ix) Once you have completed payment in respect of any **electronic application instruction** given by you or for your benefit to the designated White Form eIPO Service Provider to make an application for Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **White Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular application reference number will not constitute an actual application.
- (x) **Warning:** The application for Public Offer Shares through the **White Form eIPO** service is only a facility provided by the designated White Form eIPO Service Provider to public investors. **Our Company, the Directors, the Global Coordinator, the Joint Sponsors, the Joint Bookrunners and the Underwriters take no responsibility for such applications, and provide no assurance that applications through the White Form eIPO service will be submitted to our Company or that you will be allotted any Public Offer Shares.**

Please note that internet services may have capacity limitations and/or be subject to service interruptions from time to time. To ensure that you can submit your applications through the **White Form eIPO** service, you are advised not to wait until the last day for submitting applications in the **Public Offer** to submit your electronic application instructions. In the event that you have problems connecting to the designated website for the **White Form eIPO** service, you should submit a **WHITE** Application Form. However, once you have submitted electronic application instructions and completed payment in full using the application reference number provided to you on the designated website, you will be deemed to have made an actual application and should not submit a **WHITE** or **YELLOW** Application Form or give electronic application instructions to HKSCC.

Conditions of the White Form eIPO service

In using the **White Form eIPO** service to apply for the Public Offer Shares, the applicant shall be deemed to have accepted the following conditions:

That the applicant:

- Applies for the desired number of Public Offer Shares on the terms and conditions of the Prospectus and **White Form eIPO** Application form subject to the Articles of Association;
- Undertakes and agrees to accept the Public Offer Shares applied for, or any lesser number allotted to the applicant on such application;
- Declares that this is the only application made and the only application intended by the applicant to be made whether on a **WHITE** or **YELLOW** Application Form or by giving electronic application instruction to HKSCC or to the White Form eIPO Service Provider under the **White Form eIPO** service, to benefit the applicant or the person for whose benefit the applicant is applying;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- Undertakes and confirms that the applicant and the person for whose benefit the applicant are applying have not applied for or taken up, or indicated an interest in, or received or been placed or allocated (including conditionally and/or provisionally) and will not apply for or take up, or indicate an interest in, any International Offer Shares under the International Offer, nor otherwise participate in the International Offer;
- Understands that this declaration and representation will be relied upon by the Company and the Joint Bookrunners in deciding whether or not to make any allotment of Public Offer Shares in response to such application;
- Authorizes the Company to place the applicant's name on the register of members of the Company as the holder of any Public Offer Shares to be allotted to the applicant, and (subject to the terms and conditions set out in this prospectus) to send any share certificates and/or any refund cheque(s) by ordinary post at the applicant's own risk to the address given on the **White Form eIPO** Application Form except where the applicant has applied for 1,000,000 or more Public Offer Shares and that applicant collects any share certificate(s) and/or refund cheque(s) in person in accordance with the procedures prescribed in the **White Form eIPO** Application Form and this prospectus;
- Requests that any refund cheque(s) be made payable to the applicant; and (subject to the terms and conditions set out in this prospectus) to send any refund cheques by ordinary post and at the applicant's own risk to the address given on the **White Form eIPO** Application Form (except where the applicant has applied for 1,000,000 or more Public Offer Shares and collects any refund cheque(s) in person in accordance with the procedures prescribed in the **White Form eIPO** Application Form and this prospectus);
- Have read the terms and conditions and application procedures set out on in the **White Form eIPO** Application Form, this prospectus and the eIPO website and agree to be bound by them.
- Represents, warrants and undertakes that the applicant, and any persons for whose benefit the applicant are applying are non-U.S. person(s) outside the United States (as defined in Regulation S under the U.S. Securities Act of 1993 as amended), when completing and submitting this Application Form or is a person described in paragraph (h)(3) of Rule 902 of Regulation S under the U.S. Securities Act of 1993, as amended or the allotment of or application for the Public Offer Shares to or by whom or for whose benefit this application is made would not require the Company to comply with any requirements under any law or regulation (whether or not having the force of law) of any territory outside Hong Kong; and
- Agrees that such application, any acceptance of it and the resulting contract, will be governed by and construed in accordance with the laws of Hong Kong.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Supplemental Information

If any supplement to this prospectus is issued, applicant(s) who have already submitted an electronic application instruction through the **White Form eIPO** service may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If applicant(s) have not been so notified, or if applicant(s) have been notified but have not withdrawn their applications in accordance with the procedure to be notified, all applications through the **White Form eIPO** service that have been submitted remain valid and may be accepted. Subject to the above and below, an application once made through the **White Form eIPO** service is irrevocable and applicants shall be deemed to have applied on the basis of this prospectus as supplemented.

Effect of completing and submitting an application through the White Form eIPO service

By completing and submitting an application through the **White Form eIPO** service, you for yourself or as agent or nominee and on behalf of any person for whom you act as agent or nominee shall be deemed to:

- instruct and authorise the Company and/or the Joint Bookrunners as agent for the Company (or their respective agents or nominees) to do on your behalf all things necessary to register any Public Offer Shares allotted to you in your name as required by the Articles of Association and otherwise to give effect to the arrangements described in this prospectus and the **White Form eIPO** Application Form;
- confirm that you have only relied on the information and representations in this prospectus in making your application and will not rely on any other information and representations save as set out in any supplement to this prospectus;
- agree that the Company, the Directors, the Global Coordinator, the Joint Sponsors, the Joint Lead Managers, the Joint Bookrunners, the Underwriters and any of their respective directors, officers, employees, partners, agents or advisers are liable only for the information and representations contained in this prospectus and any supplement thereto;
- agree (without prejudice to any other rights which you may have) that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (if the application is made for your own benefit) warrant that this is the only application which will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or to the White Form eIPO Service Provider via the **White Form eIPO** service;
- (if you are an agent for another person) warrant that reasonable enquiries have been made of that other person that this is the only application which will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or to the White Form eIPO Service Provider via the **White Form eIPO** service, and that you are duly authorised to submit the application as that other person's agents;
- undertake and confirm that, you (if the application is made for your benefit) or the person(s) for whose benefit you have made this application have not applied for or taken up, or indicated an interest in or received or been placed or allocated (including conditionally and/or provisionally), and will not apply for, take up or indicate an interest for, any International Offer Shares under the International Offer nor otherwise participate in the International Offer;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- agree that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;
- agree to disclose to the Company, our Hong Kong branch share registrar, the receiving bankers, the Global Coordinator, the Joint Sponsors, the Joint Lead Managers, the Joint Bookrunners and their respective advisers and agents personal data and any information which they require about you or the person(s) for whose benefit you have made this application;
- agree with the Company and each shareholder of the Company, and the Company agrees with each of its shareholder, to observe and comply with the Companies Ordinance, the Memorandum of Association and the Articles of Association;
- agree with the Company and each shareholder of the Company that the Shares in the Company are freely transferable by the holders thereof;
- authorise the Company to enter into a contract on your behalf with each Director and officer of the Company whereby each such Director and officer undertakes to observe and comply with his or her obligations to shareholders as stipulated in our memorandum of association and the Articles of Association;
- represent, warrant and undertake that you are not, and none of the other person(s) for whose benefit you are applying, is a U.S. person (as defined in Regulation S);
- represent and warrant that you understand that the Shares have not been and will not be registered under the U.S. Securities Act and you are outside the United States (as defined in Regulation S) when completing the Application Form or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus, the **White Form eIPO** Application Form and the eIPO website and agree to be bound by them;
- undertake and agree to accept the Shares applied for, or any lesser number allocated to you under your application; and
- if the laws of any place outside Hong Kong are applicable to your application, agree and warrant that you have complied with all such laws and none of the Company, the Global Coordinator, the Joint Sponsors, the Joint Lead Managers, the Joint Bookrunners and the Underwriters nor any of their respective directors, employees, partners, agents, officers or advisers will infringe any laws outside Hong Kong as a result of the acceptance of your offer to purchase, or any actions arising from your rights and obligations under the terms and conditions contained in this prospectus, the **White Form eIPO** Application Form and the eIPO website.

The Company, the Global Coordinator, the Joint Sponsors, the Joint Lead Managers the Joint Bookrunners, the Underwriters and their respective directors, officers, employees, partners, agents, advisers, and any other parties involved in the Global Offering are entitled to rely on any warranty, representation or declaration made by you in such application.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Power of attorney

If your application is made by a duly authorised attorney, the Company and the Joint Bookrunners, as its agent and on behalf of the Underwriters, may accept it at their discretion and subject to any conditions as any of them may think fit, including evidence of the authority of your attorney.

Additional Information

For the purposes of allocating Public Offer Shares, each applicant giving electronic application instructions through **White Form eIPO** service to the White Form eIPO Service Provider through the designated website at www.eipo.com.hk will be treated as an applicant.

If your payment of application monies is insufficient, or in excess of the required amount, having regard to the number of Public Offer Shares for which you have applied, or if your application is otherwise rejected by the designated White Form eIPO Service Provider, the designated White Form eIPO Service Provider may adopt alternative arrangements for the refund of monies to you. Please refer to the additional information provided by the designated White Form eIPO Service Provider on the designated website at www.eipo.com.hk.

Otherwise, any monies payable to you due to a refund for any of the reasons set out below in “Despatch/ collection of share certificates and refund cheques”.

V. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC

General

CCASS Participants may give electronic application instructions to HKSCC to apply for the Public Offer Shares and to arrange payment of the monies due on application and payment of refunds. This will be in accordance with their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give electronic application instructions through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures contained in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
2/F Vicwood Plaza
199 Des Voeux Road Central
Hong Kong

and complete an input request form.

Prospectuses are available for collection from the above address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Broker Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Public Offer Shares on your behalf.

HOW TO APPLY FOR PUBLIC OFFER SHARES

You are deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application, whether submitted by you or through your broker or custodian, to us and our registrar.

Where a **WHITE** Application Form is signed by HKSCC Nominees on behalf of persons who have given electronic application instructions to apply for the Public Offer Shares:

- (i) HKSCC Nominees is only acting as a nominee for those persons and shall not be liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees does the following things on behalf of each such person:
 - agrees that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the stock account of the CCASS Participant who has inputted electronic application instructions on that person's behalf or that person's CCASS Investor Participant stock account;
 - undertakes and agrees to accept the Public Offer Shares in respect of which that person has given electronic application instructions or any lesser number;
 - represents, warrants and undertakes that that person is not, and none of the other person(s) for whose benefit that person is applying, is a U.S. person (as defined in Regulation S);
 - represents and warrants that that person understands that the Public Offer Shares have not been and will not be registered under the U.S. Securities Act and that the person is outside the United States (as defined in Regulation S) when giving electronic application instructions or is a person described in paragraph (h)(3) or Rule 902 of Regulation S;
 - undertakes and confirms that that person has not applied for or taken up any Offer Shares under the International Offer nor otherwise participated in the International Offer;
 - (if the electronic application instructions are given for that person's own benefit) declares that only one set of electronic application instructions has been given for that person's benefit;
 - (if that person is an agent for another person) declares that that person has only given one set of electronic application instructions for the benefit of that other person and that that person is duly authorized to give those instructions as that other person's agent;
 - understands that the above declaration will be relied upon by us and the Joint Bookrunners in deciding whether or not to make any allotment of Public Offer Shares in respect of the electronic application instructions given by that person and that that person may be prosecuted if he makes a false declaration;
 - authorizes us to place the name of HKSCC Nominees on the register of members of our Company as the holder of the Public Offer Shares allotted in respect of that person's electronic application instructions and to send share certificate(s) and/or refund monies in accordance with the arrangements separately agreed between us and HKSCC;
 - confirms that that person has read the terms and conditions and application procedures set out in this prospectus and agrees to be bound by them;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- confirms that that person has only relied on the information and representations in this prospectus and the Application Form in giving that person's electronic application instructions or instructing that person's broker or custodian to give electronic application instructions on that person's behalf and will not rely on any other information and representations save as set out in any supplement to this prospectus;
- agrees that we, the Directors, the Global Coordinator, the Joint Sponsors, the Joint Lead Managers, the Joint Bookrunners, the Underwriters and any of their respective directors, officers, employee, partners, agents or advisers are liable only for the information and representations contained in this prospectus and any supplement thereto;
- agrees to disclose that person's personal data to us, our Hong Kong branch share registrar, the receiving bankers, the Global Coordinator, the Joint Sponsors, the Joint Lead Managers, the Joint Bookrunners, the Underwriters, and any of their advisers and agents and any information which they may require about that person;
- agrees (without prejudice to any other rights which that person may have) that once the application of HKSCC Nominees is accepted, the application cannot be rescinded for innocent misrepresentation;
- agrees that any application made by HKSCC Nominees on behalf of that person pursuant to electronic application instructions given by that person is irrevocable before January 2, 2008, such agreement to take effect as a collateral contract with us and to become binding when that person gives the instructions and such collateral contract to be in consideration of us agreeing that we will not offer any Public Offer Shares to any person before January 2, 2008, except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or a public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Hong Kong Companies Ordinance (as applied by Section 342E of the Hong Kong Companies Ordinance) gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus;
- agrees that once the application of HKSCC Nominees is accepted, neither that application nor that person's electronic application instructions can be revoked, and that acceptance of that application will be evidenced by the announcement of the results of the Public Offer published by us;
- agrees to the arrangements, undertakings and warranties specified in the participant agreement between that person and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, in respect of the giving of electronic application instructions relating to the Public Offer Shares;
- agrees with us, for ourselves and for the benefit of each of our shareholders (and so that we will be deemed by our acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for ourselves and on behalf of each of our shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Cayman Companies Law, the memorandum of association and the Articles of Association;
- agrees with us (for ourselves and for the benefit of each of our shareholders) that Shares in our Company are freely transferable by the holders thereof;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- authorizes us to enter into a contract on your behalf with each of our directors and officers whereby each such director and officer undertakes to observe and comply with his obligations to shareholders stipulated in the Articles of Association; and
- agrees that that person's application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong.

Effect of giving electronic application instructions to HKSCC

By giving electronic application instructions to HKSCC or instructing your broker or custodian who is a CCASS Broker Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to us or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;
- instructed and authorized HKSCC to arrange payment of the maximum offer price, brokerage, SFC transaction levy and Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or the Offer Price is less than the initial price per Share paid on application, refund of the application monies, in each case including brokerage, SFC transaction levy and Stock Exchange trading fee, by crediting your designated bank account; and
- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things which it is stated to do on your behalf in the **WHITE** Application Form.

Multiple applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any electronic application instructions to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

Minimum subscription amount and permitted multiples

You may give or cause your broker or custodian who is a CCASS Broker Participant or a CCASS Custodian Participant to give electronic application instructions in respect of a minimum of 2,000 Public Offer Shares. Such instructions in respect of more than 2,000 Public Offer Shares must be in one of the numbers or multiples set out in the table in the Application Forms.

Allocation of Public Offer Shares

For the purposes of allocating the Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit each such instructions is given will be treated as an applicant.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Section 40 of the Hong Kong Companies Ordinance

For the avoidance of doubt, we and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Hong Kong Companies Ordinance (as applied by Section 342E of the Hong Kong Companies Ordinance).

Personal Data

The section of the Application Form entitled “Personal Data” applies to any personal data held by us, the Share registrar, the receiving banker, the Global Coordinator, the Joint Sponsors, the Joint Lead Managers, the Joint Bookrunners, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

Warning

The subscription of the Public Offer Shares by giving electronic application instructions to HKSCC is only a facility provided to CCASS Participants. We, the directors, the Global Coordinator, the Joint Sponsors, the Joint Lead Managers, the Joint Sponsors, the Joint Bookrunners and the Underwriters take no responsibility for the application and provide no assurance that any CCASS Participant will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their electronic application instructions to HKSCC through the CCASS Phone System or the CCASS Internet System, CCASS Investor Participants are advised not to wait until the last minute to input their electronic application instructions to the systems. In the event that CCASS Investor Participants have problems connecting to the CCASS Phone System or the CCASS Internet System to submit their electronic application instructions, they should either: (i) submit a **WHITE** or **YELLOW** Application Form; or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for electronic application instructions before 12:00 noon on December 6, 2007.

VI. HOW MANY APPLICATIONS YOU MAY MAKE

You may make more than one application for Public Offer Shares if and only if:

You are a nominee, in which case you may both give electronic application instructions to HKSCC (if you are a CCASS Participant) and lodge more than one Application Form in your own name if each application is made on behalf of different beneficial owners. In the box on the Application Form marked “For nominees” you must include:

- an account number; or
- some other identification code

for **each** beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

Otherwise, multiple applications are not allowed and will be rejected.

HOW TO APPLY FOR PUBLIC OFFER SHARES

If you apply by means of **White Form eIPO**, once you complete payment in respect of any electronic application instruction given by you or for your benefit to the designated White Form eIPO Service Provider to make and application for Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **White Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service by giving electronic application instructions through the designated website at www.eipo.com.hk and completing payment in respect of such electronic application instructions, or of submitting one application through the **White Form eIPO** service and one or more applications by any other means, all of your applications are liable to be rejected.

If you have made an application by giving electronic application instructions to HKSCC and you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any electronic application instructions to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made. No application for any other number of Public Offer Shares will be considered any such application is liable to be rejected.

It will be a term and condition of all applications that by completing and delivering an Application Form or submitting an electronic application instruction, you:

- (if the application is made for your own benefit) warrant that the application made pursuant to the Application Form or electronic application instructions is the only application which will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or to the designated White Form eIPO Service Provider through **White Form eIPO** service; or
- (if you are an agent for another person) warrant that reasonable enquiries have been made of that other person that this is the only application which will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or to the designated White Form eIPO Service Provider through **White Form eIPO** service and that you are duly authorized to sign the Application Form or give electronic application instructions as that other person's agent.

Except where you are a nominee and provide the information required to be provided in your application, all of your applications will be rejected as multiple applications if you, or you and your joint applicant(s) together:

- make more than one application (whether individually or jointly) on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or to the designated White Form eIPO Service Provider through **White Form eIPO** service;
- both apply (whether individually or jointly) on one **WHITE** Application Form and one **YELLOW** Application Form or on one **WHITE** or **YELLOW** Application Form and give electronic application instructions to HKSCC or to the designated White Form eIPO Service Provider through **White Form eIPO** service;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- apply (whether individually or jointly) on one **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or to the designated White Form eIPO Service Provider through **White Form eIPO** service for approximately 50% of the Public Offer Shares initially being offered for sale under the Public Offer (i.e. 26,000,000 Public Offer Shares, being a multiple of a board lot size of 2,000 Public Offer Shares) as more particularly described in the section entitled “Structure of the Global Offering — The Public Offer;” or
- have applied for or taken up, or indicated an interest for, or have been or will be placed (including conditionally and/or provisionally) International Offer Shares under the International Offer or otherwise participate in the International Offer.

All of your applications will also be rejected as multiple applications if more than one application is made for **your benefit** (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being made for your benefit.

Unlisted company means a company with no equity securities listed on the Stock Exchange.

Statutory control means you:

- control the composition of the board of directors of the company; or
- control more than one-half of the voting power of the company; or
- hold more than one-half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

VII. WHEN MAY APPLICATIONS BE MADE

Applications on WHITE or YELLOW Application Forms

Completed **WHITE** or **YELLOW** Application Forms, together with payment attached, must be lodged by 12:00 noon on Thursday, December 6, 2007, or, if the application lists are not open on that day, then by 12:00 noon on the next day the lists are open.

Your completed **WHITE** or **YELLOW** Application Form, with full payment in Hong Kong dollars attached, should be deposited in the special collection boxes provided at any of the branches of Hang Seng Bank or Industrial and Commercial Bank of China (Asia) Limited listed under the section headed “Where to collect the Application Forms” at the specified times on the following dates:

Monday, December 3, 2007 — 9:00 a.m. to 4:30 p.m.
Tuesday, December 4, 2007 — 9:00 a.m. to 4:30 p.m.
Wednesday, December 5, 2007 — 9:00 a.m. to 4:30 p.m.
Thursday, December 6, 2007 — 9:00 a.m. to 12:00 noon

HOW TO APPLY FOR PUBLIC OFFER SHARES

The application lists will be open from 11:45 a.m. to 12:00 noon on Thursday, December 6, 2007.

No proceedings will be taken on applications for the Public Offer Shares and no allotment of any such Public Offer Shares will be made until after the closing of the application lists. No allotment of any of our Public Offer Shares will be made after the closing of the application lists.

White Form eIPO

You may submit your application to the designated White Form eIPO Service Provider through the designated website at www.eipo.com.hk from 9:00 a.m. on Monday, December 3, 2007 until 11:30 a.m. on Thursday, December 6, 2007 or such later time as described under the paragraph headed “Effect of bad weather on the opening of the application lists” below (24 hours daily, except on the last application day). The latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Thursday, December 6, 2007, the last application day, or, if the application lists are not open on that day, then by the time and date stated in the paragraph headed “Effect of bad weather on the opening of the application lists” below.

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

Electronic application instructions to HKSCC

CCASS Broker/Custodian Participants can input electronic application instructions at the specified times on the following dates:

Monday, December 3, 2007 — 9:00 a.m. to 8:30 p.m.⁽¹⁾
Tuesday, December 4, 2007 — 8:00 a.m. to 8:30 p.m.⁽¹⁾
Wednesday, December 5, 2007 — 8:00 a.m. to 8:30 p.m.⁽¹⁾
Thursday, December 6, 2007 — 8:00 a.m. to 12:00 noon⁽¹⁾

(1) These times may be subject to change as HKSCC may determine from time to time with prior notification to CCASS Broker/Custodian Participants.

CCASS Investor Participants can input electronic application instructions from 9:00 a.m. on Monday, December 3, 2007 until 12:00 noon on Thursday, December 6, 2007 (24 hours daily, except the last application day).

The latest time for inputting your electronic application instructions will be 12:00 noon on Thursday, December 6, 2007, the last application day, or if the application lists are not open on that day by the time and date stated in the paragraph headed “Effect of bad weather on the opening of the application lists” below.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Effect of bad weather on the opening of the application lists

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, December 6, 2007. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

For the purpose of this section, business day means a day that is not a Saturday, Sunday or public holiday in Hong Kong.

VIII. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED PUBLIC OFFER SHARES

Full details of the circumstances in which you will not be allotted the Public Offer Shares are set out in the notes attached to the Application Forms (whether you are making your application by an Application Form or electronically instructing HKSCC to cause HKSCC Nominees to apply on your behalf or to the White Form eIPO Service Provider via the **White Form eIPO Service**), and you should read them carefully. You should note in particular the following situations in which Public Offer Shares will not be allotted to you:

- If your application is revoked.
- By completing and submitting an Application Form or giving electronic application instructions to HKSCC or to the White Form eIPO Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf or to the White Form eIPO Service Provider cannot be revoked on or before Wednesday, January 2, 2008. This agreement will take effect as a collateral contract with us, and will become binding when you lodge your Application Form or submit your electronic application instructions to HKSCC or to the White Form eIPO Service Provider. This collateral contract will be in consideration of us agreeing that we will not offer any Public Offer Shares to any person before Wednesday, January 2, 2008 except by means of one of the procedures referred to in this prospectus.
- Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or a public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Hong Kong Companies Ordinance (as applied by Section 342E of the Hong Kong Companies Ordinance) gives a public notice under that Section which excludes or limits the responsibility of that person for this prospectus.

If any supplement to this prospectus is issued, applicant(s) who have already submitted an application may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If applicant(s) have not been so notified, or if applicant(s) have been notified but have not withdrawn their applications in accordance with the procedure to be notified, all applications that have been submitted remain valid and may be accepted. Subject to the above, an application once made is irrevocable and applicants shall be deemed to have applied on the basis of this prospectus as supplemented.

HOW TO APPLY FOR PUBLIC OFFER SHARES

If your application or the application made by HKSCC Nominees on your behalf or to the White Form eIPO Service Provider has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

Full discretion of us or our agents to reject or accept your application

We and our agents (including the Joint Bookrunners) have full discretion to reject or accept any application, or to accept only part of any application. No reason has to be given for any rejection or acceptance.

If the allotment of Public Offer Shares is void

The allotment of Public Offer Shares to you or to HKSCC Nominees (if you give electronic application instructions or apply by a **YELLOW** Application Form) will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Public Offer Shares either:

- within three weeks from the closing of the application lists; or
- within a longer period of up to six weeks if the Listing Committee of the Stock Exchange notifies us of that longer period within three weeks of the closing date of the application lists.

You will not receive any allotment if:

- you make multiple applications or suspected multiple applications;
- you the person for whose benefit you apply for have applied for or taken up, or indicated an interest for, or received or have been or will be placed or allocated (including conditionally and/or provisionally) Offer Shares in the International Offer or otherwise participate in the International Offer. By filling in any of the Application Forms or applying by giving electronic application instructions to HKSCC or to the White Form eIPO Service Provider, you agree not to apply for Public Offer Shares as well as International Offer Shares in the International Offer. Reasonable steps will be taken to identify and reject applications in the Public Offer from investors who have received International Offer Shares in the International Offer, and to identify and reject indications of interest in the International Offer from investors who have received Public Offer Shares in the Public Offer;
- your payment is not made correctly or you pay by cheque or banker's cashier order and the cheque or banker's cashier order is dishonored upon its first presentation;
- your Application Form is not completed in accordance with the instructions as stated in the Application Form (if you apply by an Application Form);
- the Underwriting Agreements do not become unconditional; or
- the Underwriting Agreements are terminated in accordance with their respective terms.

You should also note that you may apply for Offer Shares under the Public Offer or indicate an interest for International Offer Shares under the International Offer, but may not do both.

HOW TO APPLY FOR PUBLIC OFFER SHARES

IX. HOW MUCH ARE THE PUBLIC OFFER SHARES

The maximum offer price is HK\$2.4 per Public Offer Share. You must also pay brokerage of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005% in full. This means that for every board lot of 2,000 Public Offer Shares you will pay HK\$4,848.43. The Application Forms have tables showing the exact amount payable for certain multiples of Public Offer Shares up to 26,000,000 Shares.

You must pay the amount payable upon application for the Public Offer Shares by one cheque or one banker's cashier order in accordance with the terms set out in the Application Form or this prospectus (if you apply by an Application Form). Please refer also to the paragraph headed "How to make payment for the application" of this section.

If your application is successful, brokerage is paid to participants of the Stock Exchange or the Stock Exchange (as the case may be), the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

X. PUBLICATION OF RESULTS

Results of allocations in the Public Offer, including the Offer Price, the level of applications in the Public Offer, the level of indications of interest in the International Offer, the basis of allotment of Public Offer Shares and the number of Public Offer Shares successfully applied for under **WHITE** and **YELLOW** Application Forms, or by giving electronic application instructions to HKSCC via CCASS or the designated White Form eIPO Service Provider through the designated eIPO website, will be made available in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on Thursday, December 13, 2007:

The results of allocations and the Hong Kong Identity Card/passport/Hong Kong Business Registration numbers of successful applicants under the Public Offer will be available at the times and date and in the manner specified below:

- Results of allocations for the Public Offer can be found in our announcement to be posted on the website of the Hong Kong Stock Exchange at www.hkex.com.hk on Thursday, December 13, 2007.
- Results of allocations for the Public Offer will be available from our results of allocation website at www.iporesults.com.hk on a 24-hour basis from 8:00 a.m. on Thursday, December 13, 2007 to 12:00 midnight on Wednesday, December 19, 2007. The user will be required to key in the Hong Kong identity card/passport/Hong Kong business registration number provided in his/her/its Application Form to search for his/her/its own allocation result;
- Results of allocations will be available from our Public Offer allocation results telephone enquiry line. Applicants may find out whether or not their applications have been successful and the number of Offer Shares allocated to them, if any, by calling 2862 8669 between 9:00 a.m. and 10:00 p.m. from Thursday, December 13, 2007 to, Sunday, December 16, 2007; and
- Special allocation results booklets setting out the results of allocations will be available for inspection during opening hours of individual branches and sub-branches from Thursday, December 13, 2007 to Saturday, December 15, 2007 at all the receiving bank branches and sub-branches at the addresses set out in the section headed "— Where to collect the Application Forms".

HOW TO APPLY FOR PUBLIC OFFER SHARES

Despatch/collection of share certificates and refund cheques

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the initial price per Share (excluding the brokerage fee, SFC transaction levy and Stock Exchange trading fee thereon) paid on application, or if the conditions of the Global Offering are not fulfilled in accordance with the section entitled “Structure of the Global Offering — Conditions of the Public Offer” or if any application is revoked or any allocation pursuant thereto has become void, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and Stock Exchange trading fee, will be refunded, without interest. It is intended that special efforts will be made to avoid any undue delay in refunding application monies where appropriate.

You will receive one share certificate for all the Public Offer Shares issued to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by electronic application instructions to HKSCC where the share certificates will be deposited into CCASS).

No temporary documents of title will be issued in respect of the Public Offer Shares. No receipt will be issued for sums paid on application but, subject to personal collection as mentioned below, in due course, these will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on your Application Form:

- (a) (i) share certificates for all the Public Offer Shares applied for, if the application is wholly successful; or (ii) share certificates for the number of Public Offer Shares successfully applied for, if the application is partially successful (except for wholly successful and partially successful applicants on **YELLOW** Application Forms or by electronic application instructions to HKSCC whose share certificates will be deposited into CCASS as described below); and/or
- (b) refund cheque(s) crossed “Account Payee Only” in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) the surplus application monies for the Public Offer Shares unsuccessfully applied for, if the application is partially unsuccessful; or (ii) all the application monies, if the application is wholly unsuccessful; and/or (iii) the difference between the Offer Price and the initial price per Offer Share paid on application in the event that the Offer Price is less than the initial price per Offer Share paid on application, in each case including the brokerage of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005%, attributable to such refund/surplus monies but without interest (except for wholly successful and partially successful applicants by electronic application instructions to HKSCC).

Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of or may invalidate your refund cheque.

Subject to personal collection as mentioned below, refund cheques for surplus application monies (if any) in respect of wholly and partially unsuccessful applications and share certificates for successful applicants under **WHITE** Application Forms are expected to be posted on or before Thursday, December 13, 2007. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s).

HOW TO APPLY FOR PUBLIC OFFER SHARES

(a) If you apply using a WHITE Application Form:

- If you apply for 1,000,000 Public Offer Shares or more on a **WHITE** Application Form and have indicated in your Application Form that you wish to collect refund cheque(s) (where applicable) and/or share certificate(s) (where applicable) in person and have provided all information required by your Application Form, you may collect your refund cheque(s) (where applicable) and share certificate(s) (where applicable) from Computershare Hong Kong Investor Services Limited, our Hong Kong branch share registrar, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, December 13, 2007 or any other date as notified by us in the newspapers as the date of despatch of refund cheques/share certificates.
- If you are an individual, you must not authorize any other person to make collection on your behalf. If you are a corporate applicant which opts for personal collection, you must attend by your authorized representative bearing a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to Computershare Hong Kong Investor Services Limited.
- If you do not collect your refund cheque(s) (where applicable) and/or share certificate(s) (where applicable) within the time specified for collection, they will be sent to the address as specified in your Application Form thereafter by ordinary post and at your own risk.

If you have applied for 1,000,000 Offer Shares or above and have not indicated on your Application Forms that you will collect your share certificate(s) and/or refund cheque(s) (if any) in person, or you have applied for less than 1,000,000 Offer Shares or if your application is rejected, not accepted or accepted in part only, or if the conditions of the Public Offer are not fulfilled in accordance with the section headed "Structure of the Global Offering — Conditions of the Global Offering," or if your application is revoked or any allotment pursuant thereto has become void, your share certificate(s) (where applicable) and/or refund cheque(s) (where applicable) in respect of the application monies or the appropriate parties thereof, together with the related brokerage, Stock Exchange trading fee, SFC transaction levy, if any, (without interest) will be sent to the address on your Application Form on Thursday, December 13, 2007 by ordinary post and at your own risk.

Share certificates will only become valid certificates of title at 8:00 a.m. on Friday, December 14, 2007 provided that the Public Offer has become unconditional in all respects and the right of termination described in the section entitled "Underwriting — Grounds for Termination" has not been exercised.

(b) If you apply using a YELLOW Application Form:

If you apply for Public Offer Shares using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant as instructed by you in your Application Form at the close of business on Thursday, December 13 2007, or in the event of contingency, on any other date as shall be determined by HKSCC or HKSCC Nominees.

If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant) for Public Offer Shares credited to the stock account of your designated CCASS Participant (other than a CCASS Investor Participant), you can check the number of Public Offer Shares allocated to you with that CCASS Participant.

HOW TO APPLY FOR PUBLIC OFFER SHARES

If you are applying as a CCASS Investor Participant, we expect to publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese), and on our website at www.antonioil.com on Thursday, December 13, 2007. You should check the announcement published by us and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, December 13, 2007 or such other date as shall be determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your CCASS Investor Participant stock account, you can check your new account balance via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account.

If you apply for 1,000,000 Public Offer Shares or more and you have elected on your **YELLOW** Application Form to collect your refund cheque (where applicable) in person, please follow the same instructions as those for **WHITE** Application Form applicants as described above.

If you have applied for 1,000,000 Offer Shares or above and have not indicated on your Application Forms that you will collect your share certificate(s) and/or refund cheque(s) (if any) in person, or you have applied for less than 1,000,000 Offer Shares or if your application is rejected, not accepted or accepted in part only, or if the conditions of the Public Offer are not fulfilled in accordance with the section headed "Structure of the Global Offering — Conditions of the Public Offer," or if your application is revoked or any allotment pursuant thereto has become void, your refund cheque(s) (where applicable) in respect of the application monies or the appropriate parties thereof, together with the related brokerage, Stock Exchange trading fee, SFC transaction levy, if any, (without interest) will be sent to the address on your Application Form by ordinary post and at your own risk.

(c) If you apply through White Form eIPO

If you apply for 1,000,000 Public Offer Shares or more through the **White Form eIPO** service by submitting an electronic application to the designated White Form eIPO Service Provider through the designated website at www.eipo.com.hk and your application is wholly or partially successful, you may collect your Share certificate(s) and/or refund cheque(s) (where applicable) in person from Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, December 13, 2007, or such other date as notified by our company in the newspapers as the date of despatch/collection of Share certificates and refund cheques.

If you do not collect your Share certificate(s) and/or refund cheque(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions to the designated **White Form eIPO** Service Provider promptly thereafter, by ordinary post and at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) and/or refund cheque(s) (where applicable) will be sent to the address specified in your application instructions to the designated **White Form eIPO** Service Provider through the designated website at www.eipo.com.hk on Thursday, December 13, 2007 by ordinary post and at your own risk.

Please also note the additional information relating to refund of application monies overpaid, application money underpaid or applications rejected by the designated White Form eIPO Service Provider set out above in "IV. APPLYING THROUGH **WHITE FORM eIPO** — Additional information".

HOW TO APPLY FOR PUBLIC OFFER SHARES

(d) If you apply by giving electronic application instructions through HKSCC Nominees

If you apply by giving electronic application instructions through HKSCC Nominees, you should check the results published by us including the results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company shall include information relating to the beneficial owner, if supplied), your Hong Kong Identity Card/passport number or other identification code (Hong Kong Business Registration number for corporations) and the basis of allotment of the Public Offer, on Thursday, 13 December 2007. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, December 13, 2007 or such other date as shall be determined by HKSCC or HKSCC Nominees.

If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of the stock account of the CCASS Participant which you have instructed to give electronic application instructions on your behalf or your CCASS Investor Participant stock account at the close of business on Thursday, December 13, 2007, or, in the event of a contingency, on any other date as shall be determined by HKSCC or HKSCC Nominees.

If you have instructed your broker or custodian to give electronic application instructions on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

If you have applied as a CCASS Investor Participant, you can also check the number of Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, December 13, 2007. Immediately following the credit of Shares to your stock account and the credit of refund moneys to your bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

XI. REFUND OF APPLICATION MONIES

If you do not receive any Public Offer Shares for any reason, we will refund your application monies, including brokerage of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005%. No interest will be paid thereon. All interest accrued on such monies prior to the date of despatch of refund cheques will be retained for the benefit of the Company.

If your application is accepted only in part, we will refund the appropriate portion of your application monies, including the related brokerage of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005%, without interest.

If the Offer Price as finally determined is less than the initial price per Public Offer Share (excluding brokerage, SFC transaction levy and Stock Exchange trading fee thereon) paid on application, we will refund the surplus application monies, together with the related brokerage of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005%, without interest.

In a contingency situation involving a substantial over-subscription, at the discretion of us and the Joint Bookrunners, cheques for applications on Application Forms for certain small denominations of Public Offer Shares (apart from successful applications and reserve applications drawn from a ballot) may not be cleared.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Refund of your application monies (if any) will be made on Thursday, December 13, 2007 in accordance with the various arrangements as described above.

All refunds by cheque will be crossed “Account Payee Only,” and made out to you (or in case of joint applicants, the first-named applicant on the Application Form). Part of your Hong Kong identity card number/passport number, (or in case of joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant) provided by you may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purpose. A banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of or may invalidate your refund cheque.

XII. DEALINGS AND SETTLEMENT

Commencement of dealings in the Shares

Dealings in the Shares on the Stock Exchange are expected to commence on Friday, December 14, 2007.

The Shares will be traded in board lots of 2,000 Shares each. The stock code of the Shares is 3337.

Shares will be eligible for admission into CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made for the Shares to be admitted into CCASS.

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong.



羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

The Directors
Anton Oilfield Services Group

Credit Suisse (Hong Kong) Limited
J.P. Morgan Securities (Asia Pacific) Limited

3 December 2007

Dear Sirs,

We set out below our report on the financial information (the “Financial Information”) of Anton Oilfield Services Group (the “Company”) and its subsidiaries (together, the “Group”) set out in Sections I to IV below, for inclusion in the prospectus of the Company dated 3 December 2007 (the “Prospectus”) in connection with the initial public offering of shares of the Company and the listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited. The Financial Information comprises the combined balance sheets as at 31 December 2004, 2005 and 2006 and 30 June 2007, and the combined income statements, the combined statements of changes in equity and the combined cash flow statements for each of the years ended 31 December 2004, 2005 and 2006 and the six months ended 30 June 2006 and 2007 (the “Relevant Periods”), and a summary of significant accounting policies and other explanatory notes.

The Company was incorporated in the Cayman Islands on 3 August 2007 as an exempted company with limited liability under the Companies Law of the Cayman Islands. Pursuant to a group reorganisation as described in Note 1 of Section II below, which was completed on 31 October 2007, the Company became the holding company of the subsidiaries now comprising the Group (the “Reorganisation”).

As of the date of this report, the Company has direct and indirect interests in the subsidiaries as set out in Note 1 of Section II below. All of these companies are private companies.

No audited financial statements have been prepared by the Company, wholly owned subsidiaries of the Company, Anton Energy Services Corp. and Pure Energy Investment Limited and a joint venture, Northern Heavy Anton Machinery Manufacturing Co., Ltd. (北重安東機械制造有限公司) as they were newly incorporated and have not been involved in any significant business transactions since their date of incorporation other than the Reorganisation. The statutory audited financial statements of the subsidiaries now comprising the Group during the Relevant Periods for which there are statutory audit requirements have been prepared in accordance with the relevant accounting principles generally accepted in their place of incorporation. The details of the statutory auditors of these companies are set out in Note 1 of Section II.

For the purpose of this report, the directors of the Company have prepared combined financial statements of the Company and its subsidiaries now comprising the Group for the Relevant Periods, in accordance with International Financial Reporting Standards (“IFRSs”) (the “Underlying Financial Statements”). PricewaterhouseCoopers Zhong Tian CPAs Limited Company Beijing Branch (普華永道中天會計師事務所有限公司北京分所) has audited the Underlying Financial Statements for each of the years ended 31 December 2004, 2005 and 2006 and the six months ended 30 June 2007 in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The Financial Information has been prepared based on the Underlying Financial Statements, with no adjustment made thereon, and on the basis set out in Note 2 of Section II below.

Directors' responsibility

The directors of the Company are responsible for the preparation and the true and fair presentation of the Underlying Financial Statements and the Financial Information in accordance with IFRSs. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of Underlying Financial Statements and Financial Information that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Reporting accountant's responsibility

For the financial information for each of the years ended 31 December 2004, 2005 and 2006 and the six months ended 30 June 2007, our responsibility is to express an opinion on the financial information based on our examination and to report our opinion to you. We examined the Underlying Financial Statements, and carried out independent audit procedures in accordance with the Hong Kong Standards on Auditing issued by the HKICPA and such additional procedures as are necessary in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” issued by the HKICPA.

For the financial information for the six months ended 30 June 2006, it is our responsibility to form an independent conclusion, based on our review, on the financial information and to report our conclusion to you. We conducted our review on the financial information in accordance with Statement of Auditing Standards 700 “Engagements to review interim financial reports” issued by the HKICPA. A review consists principally of making enquiries of the group management and applying analytical procedures to the financial information and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information for the six months ended 30 June 2006.

Opinion and review conclusion

In our opinion, the financial information for each of the years ended 31 December 2004, 2005 and 2006 and the six months ended 30 June 2007, for the purpose of this report and prepared on the basis set out in Note 2 of Section II below, gives a true and fair view of the combined state of affairs of the Group as at 31 December 2004, 2005 and 2006 and 30 June 2007 and of the Group's combined results and cash flows for the years and period then ended.

On the basis of our review which does not constitute an audit, for the purpose of this report and on the basis set out in Note 2 of Section II below, we are not aware of any material modifications that should be made to the financial information for the six months ended 30 June 2006.

I. FINANCIAL INFORMATION OF THE GROUP

(a) Combined balance sheets

	Section II Note	As at 31 December			As at
		2004	2005	2006	30 June
		RMB'000	RMB'000	RMB'000	2007 RMB'000
ASSETS					
Non-current assets					
Property, plant and equipment	6	17,009	48,621	71,393	111,809
Land use rights	7	96	85	13,262	13,259
Intangible assets	8	—	—	—	2,637
Available-for-sale financial asset	9	2,200	2,000	—	—
Investment in an associate	1(c)	736	—	—	—
		<u>20,041</u>	<u>50,706</u>	<u>84,655</u>	<u>127,705</u>
Current assets					
Inventories	10	12,333	8,708	50,115	39,811
Trade and notes receivables	11	32,658	79,308	197,799	247,068
Prepayments and other receivables	12	15,354	29,902	41,390	75,308
Restricted bank deposits	13	—	2,000	85,896	—
Cash and cash equivalents	13	11,509	10,205	46,137	35,183
		<u>71,854</u>	<u>130,123</u>	<u>421,337</u>	<u>397,370</u>
Total assets		<u>91,895</u>	<u>180,829</u>	<u>505,992</u>	<u>525,075</u>
EQUITY					
Equity attributable to the Company's equity holders	14	51,128	95,284	302,879	345,231
Minority interests		2,250	2,618	2,874	2,157
Total equity		<u>53,378</u>	<u>97,902</u>	<u>305,753</u>	<u>347,388</u>
LIABILITIES					
Current liabilities					
Short-term borrowings	15	2,500	7,300	121,266	116,687
Trade payables	16	19,384	19,196	26,929	21,709
Accruals and other payables	17	16,537	55,450	47,780	35,727
Current income tax liabilities		96	981	4,264	3,564
		<u>38,517</u>	<u>82,927</u>	<u>200,239</u>	<u>177,687</u>
Total liabilities		<u>38,517</u>	<u>82,927</u>	<u>200,239</u>	<u>177,687</u>
Total equity and liabilities		<u>91,895</u>	<u>180,829</u>	<u>505,992</u>	<u>525,075</u>
Net current assets		<u>33,337</u>	<u>47,196</u>	<u>221,098</u>	<u>219,683</u>
Total assets less current liabilities		<u>53,378</u>	<u>97,902</u>	<u>305,753</u>	<u>347,388</u>

(b) Combined income statements

	Section II Note	Year ended 31 December			Six months ended 30 June	
		2004 RMB'000	2005 RMB'000	2006 RMB'000	2006 RMB'000 (unaudited)	2007 RMB'000
Revenue	18	80,053	149,225	246,951	38,800	174,020
Other income, net	20	355	104	1,987	188	266
Operating costs						
Material costs		(35,221)	(57,811)	(99,252)	(10,532)	(75,624)
Staff costs	22	(4,574)	(8,501)	(15,512)	(6,592)	(15,485)
Operating lease expenses		(1,155)	(11,375)	(7,398)	(5,812)	(5,239)
Depreciation and amortisation		(1,363)	(1,533)	(5,483)	(2,563)	(3,967)
Others		(11,616)	(22,186)	(36,459)	(10,768)	(27,048)
		<u>(53,929)</u>	<u>(101,406)</u>	<u>(164,104)</u>	<u>(36,267)</u>	<u>(127,363)</u>
Operating profit	19	<u>26,479</u>	<u>47,923</u>	<u>84,834</u>	<u>2,721</u>	<u>46,923</u>
Interest income		19	26	396	41	2,716
Finance expenses		(191)	(582)	(1,780)	(316)	(4,232)
Finance costs, net	21	<u>(172)</u>	<u>(556)</u>	<u>(1,384)</u>	<u>(275)</u>	<u>(1,516)</u>
Profit before income tax		26,307	47,367	83,450	2,446	45,407
Income tax expense	23	(96)	(1,623)	(4,953)	(289)	(3,772)
Profit for the year / period		<u>26,211</u>	<u>45,744</u>	<u>78,497</u>	<u>2,157</u>	<u>41,635</u>
Attributable to:						
Equity holders of the Company		26,211	43,792	76,651	2,221	42,352
Minority interests		—	1,952	1,846	(64)	(717)
		<u>26,211</u>	<u>45,744</u>	<u>78,497</u>	<u>2,157</u>	<u>41,635</u>
Dividends	24	<u>500</u>	<u>15,500</u>	<u>—</u>	<u>—</u>	<u>—</u>

(c) Combined statements of changes in equity

		Equity attributable to the Company's equity holders					
		Capital reserves	Statutory reserves	Retained earnings	Total	Minority interests	Total equity
		(Note 14)	(Note 14)				
Section	II Note	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2004		3,210	1,518	20,189	24,917	—	24,917
Profit for the year		—	—	26,211	26,211	—	26,211
Capital injection		—	—	—	—	2,250	2,250
Transfer to statutory reserves		—	4,082	(4,082)	—	—	—
At 31 December 2004.		3,210	5,600	42,318	51,128	2,250	53,378
Profit for the year		—	—	43,792	43,792	1,952	45,744
Capital injection	14(a)	31,573	—	—	31,573	—	31,573
Increase by acquisition of a subsidiary		—	—	—	—	656	656
Distributions to the equity holders	14(b), 30(b)	(32,949)	—	—	(32,949)	—	(32,949)
Acquisition of minority interests		2,240	—	—	2,240	(2,240)	—
Dividends relating to 2004	24	—	—	(500)	(500)	—	(500)
Transfer to statutory reserves		—	6,680	(6,680)	—	—	—
At 31 December 2005.		4,074	12,280	78,930	95,284	2,618	97,902
Profit for the year		—	—	76,651	76,651	1,846	78,497
Distributions to the equity holders	14(c)	(8,589)	—	—	(8,589)	—	(8,589)
Capital injection	14(d)	165,391	—	—	165,391	—	165,391
Disposal of equity interest to minority shareholders	1(c)	(939)	—	—	(939)	939	—
Acquisition of minority interests		(9,419)	—	—	(9,419)	(2,529)	(11,948)
Dividends relating to 2005	24	—	—	(15,500)	(15,500)	—	(15,500)
Transfer to statutory reserves		—	4,653	(4,653)	—	—	—
At 31 December 2006.		150,518	16,933	135,428	302,879	2,874	305,753
Profit for the period		—	—	42,352	42,352	(717)	41,635
At 30 June 2007.		150,518	16,933	177,780	345,231	2,157	347,388
At 31 December 2005.		4,074	12,280	78,930	95,284	2,618	97,902
Profit for the period (unaudited)		—	—	2,221	2,221	(64)	2,157
Disposal of equity interest to minority shareholders (unaudited)	1(c)	(939)	—	—	(939)	939	—
At 30 June 2006 (unaudited)		3,135	12,280	81,151	96,566	3,493	100,059

(d) Combined cash flow statements

	Section II Note	Year ended 31 December			Six months ended 30 June	
		2004	2005	2006	2006	2007
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Cash flows from operating activities						
Net cash inflows/(outflows) from operations	27	14,880	9,498	(92,798)	1,712	(31,345)
Interest paid		(181)	(285)	(1,340)	(405)	(2,359)
Interest received		19	26	396	41	2,716
Income tax paid		—	(738)	(1,670)	(1,096)	(4,472)
Net cash generated from / (used in) operating activities		<u>14,718</u>	<u>8,501</u>	<u>(95,412)</u>	<u>252</u>	<u>(35,460)</u>
Cash flows from investing activities						
Purchases of property, plant and equipment		(5,155)	(12,488)	(41,477)	(12,570)	(53,598)
Proceeds from disposal of property, plant and equipment		—	110	296	—	34
Purchase of land use rights		—	—	(6,706)	—	—
Purchase of intangible assets		—	—	—	—	(2,637)
Proceeds from disposal of an available-for-sale financial asset		—	—	2,000	—	—
Acquisition of a subsidiary, net of cash acquired	29	—	270	—	—	—
Acquisition of an available-for-sale financial asset		(2,000)	—	—	—	—
Acquisition of minority interests		—	—	(2,250)	—	—
(Increase) / Decrease in restricted bank deposits		—	(2,000)	(83,896)	2,000	85,896
Net cash (used in)/generated from investing activities		<u>(7,155)</u>	<u>(14,108)</u>	<u>(132,033)</u>	<u>(10,570)</u>	<u>29,695</u>
Cash flows from financing activities						
Proceeds from short-term borrowings		2,500	14,300	126,266	5,000	66,000
Repayments of short-term borrowings		(3,000)	(9,500)	(12,300)	(1,800)	(70,000)
Capital injection	14(d)	—	—	165,391	—	—
Dividends paid		—	(500)	(15,500)	—	—
Net cash (used in) / generated from financing activities		<u>(500)</u>	<u>4,300</u>	<u>263,857</u>	<u>3,200</u>	<u>(4,000)</u>
Net increase/(decrease) in cash and cash equivalents						
Cash and cash equivalents, at beginning of the year / period		7,063	(1,307)	36,412	(7,118)	(9,765)
Exchange gain / (loss) on cash and cash equivalents		4,449	11,509	10,205	10,205	46,137
		(3)	3	(480)	16	(1,189)
Cash and cash equivalents at end of the year / period		<u>11,509</u>	<u>10,205</u>	<u>46,137</u>	<u>3,103</u>	<u>35,183</u>

II. NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION AND GROUP REORGANISATION

Anton Oilfield Services Group (the "Company") was incorporated in the Cayman Islands on 3 August 2007 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is PO Box 309GT, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (the "Group") are principally engaged in manufacturing and trading of sucker rod, coupling hardware, oil well pump and providing oilfield technology services (the "Listing Businesses") in the People's Republic of China (the "PRC").

Prior to the incorporation of the Company and the completion of the Reorganisation as described below, the Listing Businesses were carried out by the subsidiaries now comprising the Group. The subsidiaries now comprising the Group were controlled by Luo Lin (the "Controlling Shareholder") before the Reorganisation.

In preparing for a listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited, the following reorganisation activities were carried out:

- (i) In August 2006, Anton Oilfield Services Holdings Limited Company ("Anton Holdings"), a company controlled by the Controlling Shareholder, acquired the entire equity interests in Anton Oilfield Services (Group) Limited ("Anton Oil"), a company then controlled by the Controlling Shareholder, at a consideration of RMB75,630,000. Immediately before the acquisition, Anton Oil was the holding company of other subsidiaries then comprising the Group. Thereafter, Anton Holdings became the holding company of the subsidiaries then comprising the Group.
- (ii) On 17 August 2007, Pure Energy Investments Limited, a wholly owned subsidiary of the Company was set up in Hong Kong.
- (iii) Pursuant to a sale and purchase agreement entered into between the Company and Anton Holdings on 28 September 2007, the Company acquired the entire equity interests in Anton Oil from Anton Holdings, in consideration of which, the Company issued and allotted 999,999 shares to Anton Holdings and credit the one unpaid share in the Company held by Anton Holdings as fully paid (the "First Transfer"). Immediately after completion of the First Transfer, the Company transferred its 100% interest in Anton Oil to Pure Energy Investments Limited in consideration of Pure Energy Investments Limited issued and allotted 99 shares to the Company (the "Second Transfer"). Upon completion of the First Transfer and the Second Transfer and the approval from the PRC government on 31 October 2007, Anton Oil was directly wholly owned by Pure Energy Investments Limited.

The directors of the Company regard Pro Development Holdings Corp., a company incorporated in the British Virgin Islands and controlled by the Controlling Shareholder, as the ultimate holding company of the Company.

At the date of this report, the Company had direct and indirect interest in the following subsidiaries:

Company name	Country/Place of operation and date of incorporation	Paid-up capital	Equity interest held by the Group	Principal activities	Type of legal entity	Statutory auditors (a)
Directly held:						
Anton Energy Services Corp. (Note 31(a))	Canada, 14 August 2007	—	100%	Sales and leasing of drilling equipments	Limited liability company	N/A
Pure Energy Investments Limited	Hong Kong, 17 August 2007	HK\$100	100%	Investment holding	Limited liability company	N/A

Company name	Country/Place of operation and date of incorporation	Paid-up capital	Equity interest held by the Group	Principal activities	Type of legal entity	Statutory auditors (a)
Indirectly held:						
Anton Oilfield Services (Group) Limited (安東石油技術(集團)有限公司, “Anton Oil”)	Beijing, the PRC 28 January 2002	US\$33,000,000	100%	Oilfield services and sales of production equipment	Limited liability company	(i)
Beijing Foyou Engineering Technology Limited (北京佛友工程技術有限責任公司, “Foyou Tech”)	Beijing, the PRC 12 December 2000	RMB5,100,000	100%	Oilfield services	Limited liability company	(ii)
Xinjiang Tong'ao Oilfield Services Limited (新疆通奧油田技術服務有限公司, “Xinjiang Tong'ao”)	Xinjiang Uygur Autonomous Region, the PRC 21 February 2002	RMB51,000,000	100%	Oilfield services	Limited liability company	(iii)
Beijing Zhongji Hengtong Oilfield Technology Limited (北京中基恒通油井技術有限責任公司, “Zhongji Hengtong”)	Beijing, the PRC 26 August 2002	RMB500,000	100%	Development of oilfield technology	Limited liability company	(iv)
Beijing Xiguan Antong Testing Technology Limited (北京西管安通檢測技術有限責任公司, “Xiguan Antong”) (c)	Beijing, the PRC 17 September 2002	RMB10,000,000	51%	Test and Measurement of pipelines	Limited liability company	(v)
Beijing Anton Fenglei Machinery Company Limited (北京安東風雷機械有限責任公司, “Anton Fenglei”)	Beijing, the PRC 24 February 2004	RMB1,100,000	100%	Oilfield services	Limited liability company	(iv)
Beijing Tongsheng Well Engineering and Technology Limited (北京通盛威爾工程技術有限公司, “Tongsheng Well”) (d)	Beijing, the PRC 24 December 2004	RMB11,000,000	100%	Oilfield services	Limited liability company	(iv)
Anton Tong'ao Technological Products Limited (安東通奧科技產業有限公司, “Anton Tong'ao”)	Xinjiang Uygur Autonomous Region, the PRC 15 December 2005	RMB60,000,000	100%	Manufacturing of rod casing	Limited liability company	(vi)
Beijing Anton New Materials Technology Limited (北京安東新材料技術有限公司, “Anton New Materials”)	Beijing, the PRC 29 September 2006	RMB10,000,000	100%	Research and development of new materials and technology	Limited liability company	(viii)
Xinjiang Foyou Oil Engineering Construction Limited (新疆佛友石油工程建設有限責任公司, “Xinjiang Foyou”)	Xinjiang Uygur Autonomous Region, the PRC 22 December 2006	RMB35,000,000	100%	Oilfield services	Limited liability company	(vii)
Beijing Hinen-Hitech Petroleum Technology Development Co., Ltd. (北京海能海特石油科技發展有限公司) (Note 31(c))	Beijing, the PRC 18 September 2000	RMB500,000	100%	Manufacturing and sales of petroleum drilling and sand control equipment	Limited liability company	(iv)

Company name	Country/Place of operation and date of incorporation	Paid-up capital	Equity interest held by the Group	Principal activities	Type of legal entity	Statutory auditors (a)
Beijing Huarme Petroleum Technology Co., Ltd. (北京華瑞美爾石油 科技有限公司) (Note 31(d))	Beijing, the PRC 17 April 2006	RMB500,000	100%	Manufacturing and sales of petroleum drilling and sand control equipment	Limited liability company	(viii)
Cangzhou Hinen-Hitech Petroleum Technology Development Co., Ltd. (滄州海能海特石油 科技發展有限公司) (Note 31(c))	Cangzhou, Hebei Province, the PRC 22 June 2006	RMB3,500,000	66.67%	Manufacturing and sales of petroleum drilling and sand control equipment	Limited liability company	(viii)

Notes:

- (a) The statutory auditors of these companies for the Relevant Periods were detailed as following:
- (i) The statutory accounts of this company for the year ended 31 December 2004 were audited by Beijing Zhongjinhua Certified Public Accountants (北京中金華會計師事務所有限公司); the statutory accounts of this company for the years ended 31 December 2005 and 2006 were audited by Beijing Xinghua Certified Public Accountants (北京興華會計師事務所有限公司).
- (ii) For the years ended 31 December 2004 and 2005, this company was not subject to audit. The statutory accounts of this company for the year ended 31 December 2006 were audited by Beijing Xinghua Certified Public Accountants (北京興華會計師事務所有限公司);
- (iii) The statutory accounts of this company for the year ended 31 December 2004 were audited by Xinjiang Hualong Certified Public Accountants (新疆華龍會計師事務所). The statutory accounts of this company for the years ended 31 December 2005 and 2006 were audited by Beijing Xinghua Certified Public Accountants (北京興華會計師事務所有限公司);
- (iv) For the years ended 31 December 2004, 2005 and 2006, these companies were not subject to audit.
- (v) The statutory accounts of this company for the year ended 31 December 2004 were audited by Zhonghe Zhengxin Certified Public Accountants (中和正信會計師事務所). The statutory accounts of this company for the years ended 31 December 2005 and 2006 were audited by Beijing Xinghua Certified Public Accountants (北京興華會計師事務所有限公司);
- (vi) Newly incorporated in December 2005 and the statutory accounts of this company for the year ended 31 December 2006 were audited by Beijing Xinghua Certified Public Accountants (北京興華會計師事務所有限公司).
- (vii) Newly incorporated in 2006 and the statutory accounts of this company for the year ended 31 December 2006 were audited by Beijing Xinghua Certified Public Accountants (北京興華會計師事務所有限公司).
- (viii) For the year ended 31 December 2006, this company was not subject to audit.
- (b) The English names of certain subsidiaries referred herein represent management's best effort at translating the Chinese names of these companies as no English names have been registered.

- (c) Upon the incorporation in 2002, equity interest in Xiguan Antong was held as to 45% by the Group and the Controlling Shareholder and 55% by two third parties. In March 2005, the Group acquired 45% of the equity interest in Xiguan Antong from an independent third party shareholder (Note 29). Thereafter, Xiguan Antong became a subsidiary of the Group. In July 2005, the Group and the Controlling Shareholder disposed 39% of the equity interest in Xiguan Antong to a third party. In December 2005, after a share transfer between the two third party shareholders and additional capital injection made by the Group, the equity interest of Xiguan Antong was held as to 98% by the Group and 2% by a third party. In June 2006, the Group disposed 47% equity interest in Xiguan Antong to a third party shareholder.
- (d) Upon the incorporation in 2004, equity interest in Tongsheng Well was held as to 77.5% by the Group and 22.5% by a third party. In July 2006, the Group acquired 22.5% of the equity interest in Tongsheng Well from the third party shareholder. Thereafter, Tongsheng Well became a wholly-owned subsidiary of the Group.

2. BASIS OF PREPARATION

The Reorganisation represents a business combination involving entities under common control of the Controlling Shareholder. Accordingly the Reorganisation has been accounted for as a business combination under common control in a manner similar to a uniting of interests. The Financial Information presents the combined financial positions, results and cash flows of the companies now comprising the Group from the earliest date presented or since the date when these companies first came under the control of the Controlling Shareholder, where there is a short period, and as if the current group structure had been in existence throughout the Relevant Periods.

In respect of Xiguan Antong, during the Relevant Periods, the Group accounted for its 45% equity interests in Xiguan Antong using the equity method from 1 January 2004 to 31 March 2005. On 31 March 2005, Xiguan Antong became a subsidiary of the Group and has been combined accordingly since 1 April 2005.

All significant intra-group transactions and balances have been eliminated.

Minority interests represent the interest of the equity holders outside of the Company in the operating results and net assets of the Group during the Relevant Periods.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with International Financial Reporting Standards ("IFRS"), and has been prepared under the historical cost convention.

The principal accounting policies applied in the preparation of these combined financial statements are set out below. These policies have been consistently applied throughout the Relevant Periods.

The preparation of these combined financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the combined financial statements are disclosed in Note 5 of this Section.

Standards, interpretations and amendments to published standards not yet effective and relevant to the operations of the Group

Certain new standards, interpretations and amendments to existing standards have been published, that are relevant to the operations of the Group, but not yet effective and have not been early adopted are as follows:

- IAS 1 "Presentation of Financial Statements" revised in September 2007 (applies to annual periods beginning on or after 1 January 2009). The revised IAS 1 supersedes the previous IAS 1 (revised in 2003 and amended in 2005). It requires an entity to present, in a statement of changes in equity, all owner changes in equity. All non-owner changes in equity (i.e. comprehensive income) are required to be presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). Components of comprehensive income are not permitted to be presented in the statement of changes in equity. The revised IAS 1 requires an entity to present a statement of financial position as at the beginning of the earliest comparative period in a complete set of financial statements when

the entity applies an accounting policy retrospectively or makes a retrospective restatement, as defined in IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", or when the entity reclassifies items in the financial statements. The revised IAS 1 also requires an entity to disclose reclassification adjustments and income tax relating to each component of other comprehensive income. Reclassification adjustments are the amounts reclassified to profit or loss in the current period that were previously recognised in other comprehensive income. The Group will apply the revised IAS 1 from 1 January 2009.

- IAS 23 "Borrowing costs" revised in March 2007 (applies to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009). The amendment requires that borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset should be capitalised in the cost of the asset; the option of immediately recognising those borrowing costs as an expense was removed. This amendment will not have impact on the Group as the option to capitalise the borrowing costs is already applied.
- IFRS 8, Operating Segments (effective from annual periods beginning on or after 1 January 2009). IFRS 8 replaces IAS 14, Segment Reporting, and specifies how an entity should report information about its operating segments in annual financial statements and, as a consequential amendment to IAS 34, Interim Financial Reporting, requires an entity to report selected information about its operating segments in interim financial reports. This standard also sets out requirements for related disclosures about products and services, geographical areas and major customers. Management consider there will not be significant impact from adopting IFRS 8 on the financial statements of the Group since 1 January 2009.
- IFRIC Interpretation 11, IFRS 2 - Group and Treasury Share Transactions (effective for annual periods beginning on or after 1 March 2007, retrospective adjustment is required, subject to the transitional provision of IFRS 2 which applies to all equity instruments granted after 7 November 2002 not yet vested on 1 January 2005.). IFRIC Interpretation 11 clarified that certain types of transaction are accounted for as equity-settled or cash-settled transactions under IFRS 2. It also addresses the accounting for share-based payment transactions involving two or more entities within one group. The Group will apply IFRIC Interpretation 11 from 1 January 2008.

(a) Consolidation

(i) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully combined from the date on which control is transferred to the Group. They are de-combined from the date that control ceases.

The Group accounts for the business combination amongst entities under common control under an accounting policy using the predecessor values method. Accordingly, assets and liabilities of the transferred entities are accounted for at the carrying value, as determined by the parent in its IFRS financial statements. The Reorganisation referred to Note 1 above has been accounted for by using predecessor value method, whereby regarding the Company as being the holding company of the subsidiaries from the beginning of the earliest period presented, or since the date when the combining companies first came under the control of the controlling party, where there is a shorter period, in which the difference between the consideration given and the aggregate value of the assets and liabilities of the acquired entity is recognised as an adjustment to equity and presented as capital reserve.

Apart from the Reorganisation, the purchase method of accounting is used to account for acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(ii) *Transactions with minority interests*

The Group applies a policy of treating transactions with minority interests as transactions with equity owners of the Group. For purchases from minority interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is deducted from equity. Gains or losses on disposals to minority interests are also recorded in equity. For disposals to minority interests, differences between any proceeds received and the relevant share of minority interests are also recorded in equity.

(iii) *Associates*

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) **Segment reporting**

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

The Group's primary format for reporting segment information is business segment, with secondary information reported geographically.

(c) **Foreign currency translation**

(i) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The combined financial statements are presented in Renminbi ("RMB"), which is the Company's functional and presentation currency.

(ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except for those attributable to foreign currency borrowings that have been taken out specifically for the construction of fixed assets, which are capitalised as part of the fixed asset costs.

(d) Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred. Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

	<u>Estimated useful life</u>
Buildings	5 - 50 years
Machinery and equipment	10 years
Motor vehicles	10 years
Furniture, fixtures and others	5 years

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

No depreciation is provided for construction in progress until they are completed and ready for use.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gain and losses on disposals are determined by comparing proceeds with carrying amount and are recognised within other gains/losses in the income statements.

(e) Land use rights

Land use rights represent upfront prepayments made for the land use rights and leasehold land and are expensed in the income statements on a straight line basis over the periods of the leases or when there is impairment, the impairment is expensed in the income statements.

(f) Intangible assets — computer software

Acquired computer software are capitalised on the basis of the costs incurred to acquire and bring to use of specific software. These costs are amortised over their estimated useful lives.

(g) Impairment of investment in subsidiaries and non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(h) Financial assets

The Group classifies its financial assets into the following categories: loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables, are classified as 'trade and notes receivables' and 'prepayment and other receivables' in the balance sheet.

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives financial assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

(iii) Recognition and derecognition of financial assets

Regular purchases and sales of financial assets are recognised on trade date - the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Changes in the fair value of available-for-sale financial assets are recognised in equity. When available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as 'other operating costs'. Dividends on available-for-sale equity instruments are recognised in the income statement when the right of the Group to receive payments is established.

The fair values of quoted investments are based on current bid price. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs. Investments in equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recorded at cost.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. Impairment loss of the available-for-sale financial investments recorded at cost is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed. Impairment testing of receivables is described in Note 3(j).

(i) Inventories

Inventories primarily consist of materials and finished goods used for sales. Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs to completion and the applicable variable selling expenses.

(j) Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision made for impairment of these receivables. A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the carrying amount of the asset and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within other operating costs. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against other operating costs in the income statement.

(k) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

(l) Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(m) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has contractual or an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(n) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

(o) Financial liabilities

Financial liabilities are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(p) Employee benefits

The Group has various defined contribution plans for pensions, housing fund and other social obligations in accordance with the local conditions and practices in the municipalities and provinces in which they operate. A defined contribution plan is a pension and/or other social benefits plan under which the Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods. The contributions are recognised as employee benefit expenses when they are due.

(q) Share-based compensation**(i) *Share schemes implemented during 2001 to 2004***

Certain eligible employees of the Group received equity-settled share-based compensation granted by the Controlling Shareholder, in the form of the shares of Anton Oil as part of compensations for their services to the Group. These shares were transferred at nil consideration, with no vesting conditions and vested immediately.

IFRS 2 became effective for annual periods beginning on or after 1 January 2005, and applies to all equity instruments granted after 7 November 2002 not yet vested on 1 January 2005. Upon adoption of IFRS 2 on 1 January 2005, the Group applied the above transitional provisions, whereby since all the share schemes implemented during 2001 and 2004 have been fully vested before 1 January 2005, no retrospective adjustment was made in the Group's combined financial statements.

(ii) *Share scheme implemented in 2006*

The Group implemented another share scheme in 2006 to grant certain employees equity-settled share-based compensation by the Controlling Shareholder, in the form of the shares of Anton Energy, as part of compensations for their services to the Group. These shares were granted at a cash consideration approximated to the fair value of the shares at the grant date. As the share transfer arrangements were available to the employees, but not available to the public or any other persons, the directors of the Company considered these were still share-based payment scheme. There were no vesting conditions attached to this scheme and the shares were vested immediately. The employees are required to settle the cash consideration of a total amount approximated to RMB14.5 million within 24 months since the shares were granted. The cash consideration is non-interest bearing.

The difference between the exercise price and fair value of the shares granted at the grant date would be recognised in income statement as staff costs. Since the present value of the exercise price set out in the scheme approximates to the fair value of the shares at the grant date, no additional staff costs were charged to the combined income statements for the year ended 31 December 2006. The fair value of the shares granted is determined based on valuation technique as the shares granted were not traded on an active market.

(r) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) *Sales of goods*

Revenue associated with the sucker rods, oil pumps and other goods is recognised when the title to the goods has been passed to the customer, which is at the date when the customer receives and accepts the goods and collectibility of the related receivables is reasonably assumed. Sales of goods acquired for resale are recognised on a gross basis as the Group is acting as a principal, considering the Group acts on its own account when contracting with customers for the supply of goods in return for consideration and has exposure to all the significant benefits and risks associated with the selling price, inventory and end user credit.

(ii) *Sales of services*

Sales of services are recognised in the accounting period in which the services are rendered.

(iii) *Lease income*

Operating lease income is recognised over the term of the lease, based on the standard unit charge prescribed in the lease contracts, number of equipment leased out and the duration of lease period. All contracts are only for one year which are finished by the balance sheet date.

(iv) *Interest income*

Interest income is recognised on a time-proportion basis using the effective interest method.

(v) *Dividend income*

Dividend income is recognised when the right to receive payment is established.

(s) **Borrowing costs**

Borrowing costs comprise interest incurred on borrowings, amortisation of discounts or premiums, ancillary costs incurred in connection with the arrangement of borrowings, and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalised as part of the cost of that asset. Other borrowing costs are recognised as expenses and included as finance costs in the period in which they are incurred.

(t) **Operating lease**

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

(i) *The Group is the lessee*

Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(ii) *The Group is the lessor*

Assets leased out under operating leases are included in property, plant and equipment in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Lease income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

(u) **Government grants**

Grants from the government are recognised at their fair values where there is reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants related to cost are deferred and recognised in the income statement over the periods necessary to match them with the related costs that they are intended to compensate.

(v) **Dividend distribution**

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders. Before the incorporation of the Company in 3 August 2007, dividend distribution represents dividends paid by the companies now comprising the Group to their then shareholders.

4. FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: credit risk, cash flow interest rate risk, foreign exchange risk and liquidity risk.

(i) Credit risk

The Group has concentrations of credit risk. Five largest customers represented approximately 47%, 40%, 56% and 70% of the revenue of the Group for the years ended 31 December 2004, 2005 and 2006 and the six months ended 30 June 2007, respectively. The Group has policies in place to ensure that sales of products are made to customers with an appropriate credit history. The Group's historical experience in collection of trade and other receivables falls within the recorded allowance and the directors are of the opinion that adequate provision for uncollectible receivables has been made in the Financial Information. The carrying amounts of bank deposits, trade and notes receivables and other receivables except for prepayments included in the combined balance sheets represent the Group's maximum exposure to credit risk in relation to its financial assets.

The table below shows the bank deposits balance of 6 major banks as at 31 December 2004, 2005, 2006 and 30 June 2007. Management does not expect any losses from non-performance by these banks.

Counterparty	Rating *	As at 31 December			As at 30
		2004	2005	2006	June
		RMB'000	RMB'000	RMB'000	RMB'000
China Construction Bank	BBB+	—	3	7,142	1,331
Agricultural Bank of China	BBBpi	4,046	3,946	20,827	2,236
Shanghai Pudong Development Bank	BBpi	—	—	2,072	23,429
Industrial and Commercial Bank of China	BBB+	7,122	2,715	6,730	96
Huaxia Bank	Bpi	—	3,900	21	122
Shenzhen Development Bank	Bpi	—	—	86,830	3,494
Others		41	224	8,133	4,300
		<u>11,209</u>	<u>10,788</u>	<u>131,755</u>	<u>35,008</u>

* The source of current credit rating is from Standard & Poor.

The Group's credit sales are only made to customers with appropriate credit history and the new customers who are entities owned or managed by the Group's several major customers who have no default history. Most of the credit period is 6 months.

(ii) Cash flow interest rate risk

Other than cash and cash equivalents, the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk mainly arises from borrowings. Borrowings at variable rates expose the Group to cash flow interest-rate risk. The Group historically has not used any financial instruments to hedge potential fluctuations in interest rates.

(iii) Foreign exchange risk

The Group mainly operates in the PRC with most of the transactions denominated and settled in RMB, while the Group also has limited purchases from overseas. Foreign exchange risk also arise from certain bank deposits denominated in foreign currencies and borrowings from overseas related party which is denominated in United States Dollar ("US\$"). The Group is exposed to foreign currency exchange risk primarily with respect to US\$.

During the Relevant Periods, the Group has not used any financial instrument to hedge the foreign exchange risk.

As at 31 December 2004, 2005 and 2006 and 30 June 2007 cash and cash equivalents denominated in foreign currencies were immaterial, there would not be material impact on the Financial Information of the Group from the change of exchange rates.

(iv) *Liquidity risk*

The liquidity risk of the Group is controlled by maintaining sufficient cash and cash equivalents, which is generated from the operating cash flow and financing cash flow.

The table below analyses the Group's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Within 1 year
	RMB'000
As at 31 December 2004	
Short-term borrowings	2,665
Trade payables	19,384
Accruals and other payables	16,537
Current income tax liabilities	96
	<u>38,682</u>
	<u>38,682</u>
	Within 1 year
	RMB'000
As at 31 December 2005	
Short-term borrowings	7,680
Trade payables	19,196
Accruals and other payables	55,450
Current income tax liabilities	981
	<u>83,307</u>
	<u>83,307</u>
	Within 1 year
	RMB'000
As at 31 December 2006	
Short-term borrowings	122,575
Trade payables	26,929
Accruals and other payables	47,780
Current income tax liabilities	4,264
	<u>201,548</u>
	<u>201,548</u>
	Within 1 year
	RMB'000
As at 30 June 2007	
Short-term borrowings	119,444
Trade payables	21,709
Accruals and other payables	35,727
Current income tax liabilities	3,564
	<u>180,444</u>
	<u>180,444</u>

(b) Fair value estimation

The carrying amounts of the Group's financial assets including cash and cash equivalents, restricted bank deposits, trade and other receivables; and financial liabilities including trade and other payables and short-term borrowings, approximate their fair values due to their short maturities.

(c) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including borrowings and trade payables, as shown in the combined balance sheet) less cash and cash equivalents. Total capital is calculated as equity, as shown in the combined balance sheet, plus net debt. The gearing ratios 31 December 2004, 2005 and 2006 and 30 June 2007 are as follows:

	Group			
	As at 31 December			As at 30 June
	2004	2005	2006	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Total borrowings	21,884	26,496	148,195	138,396
Less: cash and cash equivalents	(11,509)	(10,205)	(46,137)	(35,183)
Net debt	10,375	16,291	102,058	103,213
Total equity	51,128	95,284	302,879	345,231
Total capital	<u>61,503</u>	<u>111,575</u>	<u>404,937</u>	<u>448,444</u>
Gearing ratio	17%	15%	25%	23%

The general increase of the gearing ratio since 2006 resulted primarily from the increase in short-term borrowings and capital injections.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Impairment of trade and other receivables

The Group's management makes provision for doubtful debts based on the assessment of the recoverability of trade and other receivables with reference to the extent and duration that the amount will be recovered. Provisions are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of receivables and doubtful debt expenses in the period in which such estimate has been changed.

Despite the significant increase in the gross balance of trade receivables as of 30 June 2007, no further impairment provision of trade receivables needs to be made because the increase in gross trade receivables was mainly derived from the increase in sales to major customers with no default history.

Ageing analysis of past-due trade receivables is as follows:

	As at 31 December			As at 30 June
	2004	2005	2006	2007
	RMB'000	RMB'000	RMB'000	RMB'000
1 - 6 months	—	—	—	—
6 months - 1 year	—	—	—	—
1 - 2 years	103	2,737	4,410	476
2 - 3 years	—	—	1,071	1,824
Over 3 years	—	—	—	134
	<u>103</u>	<u>2,737</u>	<u>5,481</u>	<u>2,434</u>

(b) **Income taxes**

There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

6. **PROPERTY, PLANT AND EQUIPMENT**

	Buildings	Machinery and equipment	Motor vehicles	Furniture, fixtures and others	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2004						
Cost	5,898	3,436	1,734	879	—	11,947
Accumulated depreciation	(143)	(321)	(345)	(360)	—	(1,169)
Net book value	<u>5,755</u>	<u>3,115</u>	<u>1,389</u>	<u>519</u>	<u>—</u>	<u>10,778</u>
Year ended 31 December 2004						
Opening net book value	5,755	3,115	1,389	519	—	10,778
Additions	31	378	73	345	6,756	7,583
Depreciation charge	(372)	(489)	(167)	(324)	—	(1,352)
Closing net book value	<u>5,414</u>	<u>3,004</u>	<u>1,295</u>	<u>540</u>	<u>6,756</u>	<u>17,009</u>
At 31 December 2004						
Cost	5,929	3,814	1,807	1,224	6,756	19,530
Accumulated depreciation	(515)	(810)	(512)	(684)	—	(2,521)
Net book value	<u>5,414</u>	<u>3,004</u>	<u>1,295</u>	<u>540</u>	<u>6,756</u>	<u>17,009</u>
Year ended 31 December 2005						
Opening net book value	5,414	3,004	1,295	540	6,756	17,009
Additions	172	24,647	979	546	6,337	32,681
Acquisition of a subsidiary (Note 29)	—	489	—	102	—	591
Transfer in / (out)	—	11,031	—	—	(11,031)	—
Depreciation charge	(377)	(518)	(310)	(317)	—	(1,522)
Disposals	—	(78)	—	—	(60)	(138)
Closing net book value	<u>5,209</u>	<u>38,575</u>	<u>1,964</u>	<u>871</u>	<u>2,002</u>	<u>48,621</u>

	Buildings	Machinery and equipment	Motor vehicles	Furniture, fixtures and others	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2005						
Cost	6,101	39,884	2,786	1,872	2,002	52,645
Accumulated depreciation	(892)	(1,309)	(822)	(1,001)	—	(4,024)
Net book value	<u>5,209</u>	<u>38,575</u>	<u>1,964</u>	<u>871</u>	<u>2,002</u>	<u>48,621</u>
Year ended 31 December 2006						
Opening net book value	5,209	38,575	1,964	871	2,002	48,621
Additions	7,083	4,968	5,036	861	10,704	28,652
Transfer in / (out)	—	2,195	—	—	(2,195)	—
Depreciation charge	(634)	(3,875)	(518)	(447)	—	(5,474)
Disposals	—	(83)	(323)	—	—	(406)
Closing net book value	<u>11,658</u>	<u>41,780</u>	<u>6,159</u>	<u>1,285</u>	<u>10,511</u>	<u>71,393</u>
At 31 December 2006						
Cost	13,184	46,930	7,353	2,733	10,511	80,711
Accumulated depreciation	(1,526)	(5,150)	(1,194)	(1,448)	—	(9,318)
Net book value	<u>11,658</u>	<u>41,780</u>	<u>6,159</u>	<u>1,285</u>	<u>10,511</u>	<u>71,393</u>
Six months ended 30 June 2007						
Opening net book value	11,658	41,780	6,159	1,285	10,511	71,393
Additions	1,559	11,610	2,298	822	28,098	44,387
Transfer in / (out)	2,500	6,004	—	94	(8,598)	—
Depreciation charge	(438)	(2,714)	(514)	(298)	—	(3,964)
Disposals	—	—	(7)	—	—	(7)
Closing net book value	<u>15,279</u>	<u>56,680</u>	<u>7,936</u>	<u>1,903</u>	<u>30,011</u>	<u>111,809</u>
At 30 June 2007						
Cost	17,243	64,544	9,507	3,649	30,011	124,954
Accumulated depreciation	(1,964)	(7,864)	(1,571)	(1,746)	—	(13,145)
Net book value	<u>15,279</u>	<u>56,680</u>	<u>7,936</u>	<u>1,903</u>	<u>30,011</u>	<u>111,809</u>

As at 31 December 2004, 2005 and 30 June 2007, pledged bank borrowings were secured by property, plant and equipment at the net book value of approximately RMB1,767,000, RMB10,976,000 and RMB33,215,000, respectively (Note 15).

As at 31 December 2006 and 30 June 2007, counter-guarantees were provided by certain property, plant and equipment of Anton Oil at the net book value of approximately RMB6,276,000 and RMB6,219,000, respectively (Note 15).

7. LAND USE RIGHTS

Land use rights represent the Group's prepayments for the leasehold land located in the PRC which are held on leases within 50 years. The movement is as follows:

	<u>RMB'000</u>
At 1 January 2004	
Cost	107
Accumulated amortisation	<u>—</u>
Net book value	<u>107</u>
Year ended 31 December 2004	
Opening net book value	107
Amortisation charge	<u>(11)</u>
Closing net book value	<u>96</u>
At 31 December 2004	
Cost	107
Accumulated amortisation	<u>(11)</u>
Net book value	<u>96</u>
Year ended 31 December 2005	
Opening net book value	96
Amortisation charge	<u>(11)</u>
Closing net book value	<u>85</u>
At 31 December 2005	
Cost	107
Accumulated amortisation	<u>(22)</u>
Net book value	<u>85</u>
Year ended 31 December 2006	
Opening net book value	85
Additions	13,186
Amortisation charge	<u>(9)</u>
Closing net book value	<u>13,262</u>
At 31 December 2006	
Cost	13,293
Accumulated amortisation	<u>(31)</u>
Net book value	<u>13,262</u>
Six months ended 30 June 2007	
Opening net book value	13,262
Amortisation charge	<u>(3)</u>
Closing net book value	<u>13,259</u>
At 30 June 2007	
Cost	13,293
Accumulated amortisation	<u>(34)</u>
Net book value	<u>13,259</u>

8. INTANGIBLE ASSETS

	Computer software
	RMB'000
Cost	
At 1 January 2007.	—
Additions.	<u>2,637</u>
At 30 June 2007.	<u>2,637</u>
Accumulated amortisation	
At 1 January 2007.	—
Amortisation charge.	—
At 30 June 2007.	—
Net book value	
At 30 June 2007.	<u>2,637</u>

As at 30 June 2007, the computer software was still under installation, therefore no amortisation had been charged.

9. AVAILABLE-FOR-SALE FINANCIAL ASSET

Available-for-sale financial asset of the Group represents an investment of 8% equity interest in an unlisted company denominated in RMB, such investment has been disposed in 2006 at its carrying amount.

	As at 31 December			As at 30 June
	2004	2005	2006	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Beginning of the year.	—	2,200	2,000	—
Addition	2,200	—	—	—
Disposals.	—	<u>(200)</u>	<u>(2,000)</u>	—
End of the year	<u>2,200</u>	<u>2,000</u>	<u>—</u>	<u>—</u>

10. INVENTORIES

	As at 31 December			As at 30 June
	2004	2005	2006	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	2,282	1,015	8,822	12,630
Work in progress	—	—	2,913	3,535
Finished goods.	10,050	7,632	36,812	17,520
Spare parts and others	<u>1</u>	<u>61</u>	<u>1,568</u>	<u>6,126</u>
	<u>12,333</u>	<u>8,708</u>	<u>50,115</u>	<u>39,811</u>

As at 31 December 2004, 2005 and 2006 and 30 June 2007, all inventories were stated at cost.

11. TRADE AND NOTES RECEIVABLES

	As at 31 December			As at 30 June
	2004	2005	2006	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables, net (a)	32,658	77,748	174,778	237,086
Notes receivables (b)	—	1,560	23,021	9,982
	<u>32,658</u>	<u>79,308</u>	<u>197,799</u>	<u>247,068</u>

Note:

(a) Ageing analysis of gross trade receivables at the respective balance sheet dates is as follows:

	As at 31 December			As at 30 June
	2004	2005	2006	2007
	RMB'000	RMB'000	RMB'000	RMB'000
1 - 6 months	32,664	71,478	164,962	198,115
6 months - 1 year	—	4,025	3,656	36,372
1 - 2 years	128	3,352	6,283	1,547
2 - 3 years	—	—	1,296	2,112
Over 3 years	—	—	—	359
Trade receivables, gross	32,792	78,855	176,197	238,505
Less: Impairment of receivables	(134)	(1,107)	(1,419)	(1,419)
Trade receivables, net	<u>32,658</u>	<u>77,748</u>	<u>174,778</u>	<u>237,086</u>

As at 31 December 2006 and 30 June 2007, trade receivables amounting to RMB97,259,000 and RMB177,490,000, respectively, were designated for counter-guarantee to a third party for its guarantee to the Group's bank borrowings (Note 15).

- (b) Notes receivables are bank acceptance with maturity dates within one year.
- (c) Trade and notes receivables are all denominated in RMB.
- (d) The fair values of trade and notes receivables approximated their carrying values due to the short maturity.
- (e) Most of the trade receivables are with credit terms of six months, except for retention money would be collected one year after the completion of the sales.

(f) Movement of impairment of trade receivables is as follows:

	<u>RMB'000</u>
At 1 January 2004	—
Additions	<u>134</u>
At 31 December 2004	134
Additions	<u>973</u>
At 31 December 2005	1,107
Additions	<u>312</u>
At 31 December 2006	1,419
Additions	<u>—</u>
At 30 June 2007	<u><u>1,419</u></u>

12. PREPAYMENTS AND OTHER RECEIVABLES

	<u>As at 31 December</u>			<u>As at 30 June</u>
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
	RMB'000	RMB'000	RMB'000	RMB'000
Advances to suppliers	4,251	8,537	28,182	65,848
Amounts due from related parties (Note 30)	1,843	8,794	6,248	132
Other receivables	<u>9,260</u>	<u>12,571</u>	<u>6,960</u>	<u>9,328</u>
	<u><u>15,354</u></u>	<u><u>29,902</u></u>	<u><u>41,390</u></u>	<u><u>75,308</u></u>

Note:

(a) Ageing analysis of prepayments and other receivables at the respective balance sheet dates is as follows:

	<u>As at 31 December</u>			<u>As at 30 June</u>
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
	RMB'000	RMB'000	RMB'000	RMB'000
1 - 6 months	10,012	19,082	36,513	62,315
6 months - 1 year	2,064	2,704	2,512	9,828
1 - 2 years	3,064	6,186	1,836	1,098
2 - 3 years	214	1,711	97	1,835
Over 3 years	<u>—</u>	<u>219</u>	<u>432</u>	<u>232</u>
Prepayments and other receivables	<u><u>15,354</u></u>	<u><u>29,902</u></u>	<u><u>41,390</u></u>	<u><u>75,308</u></u>

Amounts due from related parties have been fully settled as of the date of this report.

13. CASH AND BANK

	As at 31 December			As at 30 June
	2004	2005	2006	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Restricted bank deposits (a)	—	2,000	85,896	—
Cash and cash equivalents				
- Cash on hand	300	1,417	278	175
- Deposits in bank	<u>11,209</u>	<u>8,788</u>	<u>45,859</u>	<u>35,008</u>
	<u>11,509</u>	<u>12,205</u>	<u>132,033</u>	<u>35,183</u>

- (a) Restricted bank deposits are deposits held as securities for bank borrowings (Note 15) of the Group and are restricted for the purposes of the related banking facilities.

As at 31 December 2005 and 2006, the effective interest rates on restricted bank deposits are 2.07% and 5.95% per annum, respectively; and these deposits have an average maturity of 179 days and 147 days, respectively.

Bank deposits and cash and cash equivalents are denominated in the following currencies:

	As at 31 December			As at 30 June
	2004	2005	2006	2007
	RMB'000	RMB'000	RMB'000	RMB'000
RMB	11,509	11,922	44,944	33,807
US\$.	—	283	87,089	1,376
	<u>11,509</u>	<u>12,205</u>	<u>132,033</u>	<u>35,183</u>

14. EQUITY ATTRIBUTABLE TO THE COMPANY'S EQUITY HOLDERS

Capital reserves

Capital reserves of the Group represent the nominal value of the paid-up capital of the subsidiaries now comprising the Group, after eliminating intra-group investments.

- (a) The capital injection represents capital injection made by the equity holders of the Company to certain subsidiaries now comprising the Group, which mainly included the additional capital injection in Xinjiang Tong'ao and Anton Oil made by Anton Energy Services Limited (安東能源技術有限公司, "Anton Energy"), a company controlled by the Controlling Shareholder, which are treated as deemed contributions by the equity holders of the Company in the combined financial statements. In these contributions, RMB23,683,000 was made by injection of machinery and equipment and the remaining was settled by offsetting payables to Anton Energy, a company then wholly owned by the equity holders of the Company.
- (b) The distributions represent Anton Oil's acquisition of equity interests in Xinjiang Tong'ao and Beijing Foyou from Luo Lin and Anton Energy, respectively, which were accounted for using the predecessor value method (Note 3 (a) (i)) and are presented as deemed distributions to equity holders of the Company in the combined financial statements. All these distributions were settled by offsetting receivables from Luo Lin and Anton Energy.
- (c) The distributions represent Anton Oil's acquisition of equity interests in Anton Fenglei, Tongsheng Well, Zhongji Hengtong and Xinjiang Tong'ao from Luo Lin and Anton Energy, which were accounted for using the predecessor value method (Note 3 (a) (i)) and are presented as deemed distributions to the Company's equity holders in the combined financial statements. Such distributions were settled by offsetting receivables to Luo Lin and Anton Energy.

- (d) The capital injection represents the additional capital injections in Xiajiang Tong'ao, Anton Fenglei and Tongsheng Well made by Anton Energy and capital injections in Anton Oil by Anton Holdings, which were treated as deemed contributions by equity holders of the Company in the combined financial statements, which were all settled by cash.

Statutory reserves

Subsidiaries incorporated in the PRC shall appropriate 10% of their annual statutory net profit (after offsetting any prior years' losses) to the statutory reserve fund account in accordance with the PRC Company Law and their articles of association. When balance of such reserve fund reaches 50% of each entity's share capital, any further appropriation is optional. The statutory reserve fund can be utilised to offset prior years' losses or to increase capital after proper approval. However, except for offsetting prior years' losses, such statutory reserve fund must be maintained at a minimum of 25% of share capital after such usage. For each of the years ended 31 December 2004, 2005 and 2006, 10% of statutory net profit of each entity was appropriated to this reserve. This reserve is non-distributable.

Apart from the above, subsidiaries incorporated in the PRC are required to appropriate 5% to 10% of their annual statutory net profit (after offsetting any prior years' losses) to the statutory welfare fund to be utilised for employees' common welfare in accordance with the PRC Company Law and their articles of association. Pursuant to the relevant regulation issued by the Ministry of Finance of the PRC in 2006, the PRC subsidiaries do not set aside their statutory net profit to this welfare fund from 1 January 2006 onwards. The balance of such fund as at 31 December 2005 has been transferred to and used as statutory surplus reserve fund accordingly. For each of the years ended 31 December 2004 and 2005, 5% of statutory net profit of each entity was appropriated to this reserve. This reserve is non-distributable.

Upon Anton Oil's conversion into a wholly-owned foreign enterprise in August 2006, Anton Oil is no longer required to appropriate the net profit to statutory reserve fund. Pursuant to the relevant PRC law and revised articles of association, appropriations from net profit should be made to the Reserve Fund, after offsetting accumulated losses from prior years, and before profit distributions to the investors. The percentage to be appropriated to the Reserve Fund is determined by the Board of Directors of the Company. For the year ended 31 December 2006 and six months ended 30 June 2007, no appropriation was made to the Reserve Fund.

15. SHORT-TERM BORROWINGS

	As at 31 December			As at 30 June
	2004	2005	2006	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Secured bank borrowings (a)				
- Pledged (i)	2,500	7,300	70,000	13,000
- Guaranteed (ii)	—	—	20,000	73,000
	<u>2,500</u>	<u>7,300</u>	<u>90,000</u>	<u>86,000</u>
Unsecured borrowings from related parties (b) . .	—	—	31,266	30,687
	<u>2,500</u>	<u>7,300</u>	<u>121,266</u>	<u>116,687</u>

Note:

(a) As at 31 December 2004, 2005, 2006 and 30 June 2007, all short-term bank borrowings are denominated in RMB, with interest rates ranging of 5.841%, 4.698% to 7.254%, 5.022% to 6.435% and 6.12% to 8.307% per annum, respectively.

(i) As at 31 December 2004, 2005 and 30 June 2007, pledged bank borrowings amounting to RMB2,500,000, RMB5,500,000 and RMB13,000,000 respectively were secured by certain property, plant and equipment of the Group (Note 6).

As at 31 December 2005 and 2006, pledged bank borrowings amounting to RMB1,800,000 and RMB70,000,000, respectively, were secured by the restricted bank deposits of the Group (Note 13).

- (ii) As at 31 December 2006, guaranteed bank borrowings amounting to RMB20,000,000 are guaranteed by Beijing Zhongguancun Technology Guarantee Company Limited (北京中關村科技擔保有限公司), an independent third party. Counter-guarantees were provided by the Group with trade receivables (Note 11) and Luo Lin's equity interest in Anton Energy and certain property, plant and equipment of Anton Oil (Note 6). As of the date of this report, all counter guarantees provided by Luo Lin were released and withdrawn.

As at 30 June 2007, guaranteed bank borrowings amounting to RMB50,000,000 were guaranteed by Beijing Zhongguancun Technology Guarantee Company Limited (北京中關村科技擔保有限公司). Counter-guarantees were provided by the Group with trade receivables (Note 11), certain property, plant and equipment of Anton Oil (Note 6) and Luo Lin's equity interest in Anton Energy. Ma Jian and He Zhigang also provided guarantee as a part of the counter-guarantee. As of the date of this report, the counter guarantees provided by Luo Lin, He Zhigang and Ma Jian were released and withdrawn.

As at 30 June 2007, guaranteed bank borrowings amounting to RMB23,000,000 were guaranteed by Luo Lin. As of the date of this report, the guarantees provided by Luo Lin were released and withdrawn.

As at 31 December 2006 and 30 June 2007, the undrawn bank borrowing facilities of the Group amounted to RMB20,000,000.

- (b) As at 31 December 2006 and 30 June 2007, unsecured borrowings from related parties represent (i) entrusted loans borrowed from Anton Energy, a company controlled by Luo Lin, via Shenzhen Development Bank Co., Ltd. Beijing Anhua Branch, with a principal amount of RMB7,840,000, bearing an interest rate of 6.12% per annum. (ii) the remaining of unsecured borrowings represent loans borrowed from Anton Holdings, the parent company of the Company, with a principal amount of US\$3,000,000, which is non-interest bearing. Such loans from related parties have been fully settled as of the date of this report.

The fair value of short-term borrowings approximated their carrying value due to their short maturity period.

The directors are of the view that there was no breaches to loan covenants during the Relevant Periods.

16. TRADE PAYABLES

Ageing analysis of trade payables at the respective balance sheet dates is as follows:

	As at 31 December			As at 30 June
	2004	2005	2006	2007
	RMB'000	RMB'000	RMB'000	RMB'000
less than 1 year	19,041	16,639	25,920	20,847
1 - 2 years	343	2,279	700	548
2 - 3 years	—	278	124	154
Over 3 years	—	—	185	160
	<u>19,384</u>	<u>19,196</u>	<u>26,929</u>	<u>21,709</u>

The fair value of trade payables approximated their carrying value due to their short maturity period.

APPENDIX I ACCOUNTANTS' REPORT — ANTON OILFIELD SERVICES GROUP

17. ACCRUALS AND OTHER PAYABLES

	As at 31 December			As at 30 June
	2004	2005	2006	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Customer deposits and receipts in advance . . .	2,147	2,889	1,624	777
Amounts due to related parties (Note 30).	7,567	30,089	5,320	5,005
Accrued expenses	1	8,447	8,156	2,011
Payroll and welfare payables	1,072	2,207	3,073	4,211
Other taxes payables	3,562	4,171	8,628	12,674
Others	2,188	7,647	20,979	11,049
	<u>16,537</u>	<u>55,450</u>	<u>47,780</u>	<u>35,727</u>

Amounts due to related parties have been fully settled as of the date of this report.

18. REVENUE AND SEGMENT INFORMATION

The Group conducts its business within one business segment - the business of selling oilfield equipment and providing related services in the PRC. As the products and services provided by the Group are subject to similar business risks, no segment information has been prepared by the Group for the Relevant Periods. The Group also operates within one geographical segment because its revenues are primarily generated from and with all its assets located in the PRC. Accordingly, no geographical segment data is presented.

	Year ended 31 December			Six months ended 30 June	
	2004	2005	2006	2006	2007
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Analysis of revenue by category					
Sales of goods	35,238	80,614	143,053	18,249	143,718
Sales of services	<u>44,815</u>	<u>68,611</u>	<u>103,898</u>	<u>20,551</u>	<u>30,302</u>
	<u>80,053</u>	<u>149,225</u>	<u>246,951</u>	<u>38,800</u>	<u>174,020</u>

19. EXPENSE BY NATURE

Operating profit is arrived at after charging the following:

	Year ended 31 December			Six months ended 30 June	
	2004	2005	2006	2006	2007
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Loss / (gain) on disposal of property, plant and equipment	—	28	110	—	(27)
Provision for impairment of receivables	134	973	312	312	—
Sales tax and surcharges	974	2,797	3,305	309	603
Auditors' remuneration	102	182	2,911	45	1,900

20. OTHER INCOME, NET

	Year ended 31 December			Six months ended 30 June	
	2004	2005	2006	2006	2007
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Government grants and subsidies	9	103	1,454	188	213
Others, net	346	1	533	—	53
	<u>355</u>	<u>104</u>	<u>1,987</u>	<u>188</u>	<u>266</u>

21. FINANCE COSTS, NET

	Year ended 31 December			Six months ended 30 June	
	2004	2005	2006	2006	2007
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Interest income	(19)	(26)	(396)	(41)	(2,716)
Interest expenses on bank borrowing	171	396	1,231	303	2,988
Exchange loss / (gain), net	3	(3)	480	(16)	1,189
Bank surcharges and others	17	189	69	29	55
	<u>172</u>	<u>556</u>	<u>1,384</u>	<u>275</u>	<u>1,516</u>

22. STAFF COSTS

	Year ended 31 December			Six months ended 30 June	
	2004	2005	2006	2006	2007
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Wages, salaries and allowances	3,864	7,092	12,617	5,504	13,467
Housing subsidies (a)	—	—	196	—	241
Contributions to pension plans (b)	85	278	560	185	452
Welfare and other expenses	625	1,131	2,139	903	1,325
	<u>4,574</u>	<u>8,501</u>	<u>15,512</u>	<u>6,592</u>	<u>15,485</u>

Notes:

- (a) During the Relevant Periods, these mainly include the Group's contributions to government-sponsored housing funds at 8% of the employees' salaries for the Group's employees of the PRC.
- (b) During the Relevant Periods, these represent the Group's contributions to the defined contribution pension plans organised by the respective municipal and provincial governments of the PRC at 20% of the employees' salaries depending on the applicable local regulations for the Group's employees of the PRC.

The Group has no other material obligations for the payment of pensions and other post-retirement benefits of employees or retirees other than those disclosed above.

23. INCOME TAX EXPENSE

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Company Law of Cayman Islands and, accordingly, is exempted from payment of Cayman Islands income tax.

PRC enterprise income tax ("EIT") is provided on the basis of the profits of the PRC established subsidiaries for statutory financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for income tax purposes. The applicable enterprise income tax rate for the subsidiaries of the Group is 33%, based on the relevant PRC tax laws and regulations, except that certain subsidiaries which are taxed at preferential tax rates as detailed below. The statutory income tax is assessed on an individual entity basis, based on their results of operations. The commencement dates of tax holiday period of each entity are individually determined.

Pursuant to Jing Guo Shui Fa [1994] No. 068 issued by the State Tax Bureau of Beijing City and approved by local tax authorities, Anton Oil, Foyou Tech, Xiguan Antong, Anton Finglei and Tongsheng Well, being New and High Technology Enterprises and domiciled in New and High Technology Areas, have been granted a preferential rate of 15% and a tax holiday of 3-year exemption, starting from their first operating years, followed by a 50% reduction of the preferential rate from the fourth to the sixth year.

Pursuant to Lun Guo Shui Ban [2004] No. 51 issued by the State Tax Bureau of Luntai County, Xinjiang Uygur Autonomous Region, as a newly set up enterprise in the western area of the PRC, Xinjiang Tong'ao was exempted from EIT during 2004 to 2006.

The applicable EIT tax rates of the Group companies during the Relevant Periods are detailed as follows:

	Year ended 31 December			Six months ended 30 June	
	2004	2005	2006	2006 (unaudited)	2007
Anton Oil	—	7.5%	7.5%	7.5%	7.5%
Foyou Tech.	7.5%	7.5%	7.5%	7.5%	15%
Xinjiang Tong'ao	—	—	—	—	33%
Zhongji Hengtong	33%	Note (a)	Note (a)	Note (a)	Note (a)
Xiguan Antong.	—	—	7.5%	7.5%	7.5%
Anton Finglei	—	—	—	—	7.5%
Tongsheng Well	33%	—	—	—	—
Anton Tong'ao.	N/A	33%	33%	33%	33%
Anton New Materials	N/A	N/A	33%	33%	33%
Xinjiang Foyou	N/A	N/A	33%	33%	33%

Note (a): Pursuant to "Notice of Enterprise Income Tax Levied at an Approval Basis" (企業所得稅核定徵收通知書) issued by the Chaoyang District Branch of the State Tax Bureau, Beijing City, the EIT of Zhongji Hengtong is levied at 27% of the approved taxable income which is calculated as total revenue multiplied by 8%.

The taxation of the Group's profit before tax differs from the theoretical amount that would arise using the statutory tax rate of 33% in the PRC as follows:

	Year ended 31 December			Six months ended 30 June	
	2004	2005	2006	2006	2007
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Profit before income tax	<u>26,307</u>	<u>47,367</u>	<u>83,450</u>	<u>2,446</u>	<u>45,407</u>
Tax calculated at PRC statutory tax rate 33%	8,681	15,631	27,539	807	14,984
Preferential tax rates and tax exemption on the income of certain subsidiaries	(8,681)	(15,060)	(24,115)	(1,992)	(12,068)
Income not subject to taxation	—	—	(158)	—	—
Expenses not deductible for taxation purposes	131	1,052	1,687	1,474	856
Others	<u>(35)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Income tax expense	<u>96</u>	<u>1,623</u>	<u>4,953</u>	<u>289</u>	<u>3,772</u>

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "new CIT Law"), which is effective from 1 January 2008. According to the new CIT Law, both domestic and foreign invested enterprises will be subject to a single income tax rate of 25%. The existing Tax Law of the People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprises and Provisional Regulations of the People's Republic of China on Enterprise Income Tax will be abolished simultaneously.

As of the date of this report, detailed measures of the new CIT Law have yet to be issued, specific provisions concerning the applicable income tax rates, computation of taxable income, as well as specific preferential tax treatments and their related transitional provisions for the periods from 2008 and onwards have not been clarified. Consequently, the Group is not in a position to reasonably assess the applicable income tax rates to its PRC subsidiaries when the new CIT Law becomes effective.

24. DIVIDENDS

	Year ended 31 December			Six months ended 30 June	
	2004	2005	2006	2006	2007
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Dividends	<u>500</u>	<u>15,500</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>500</u>	<u>15,500</u>	<u>—</u>	<u>—</u>	<u>—</u>

No dividend has been paid by the Company during the Relevant Periods since it has not been incorporated as at 30 June 2007. Dividends disclosed in the combined income statements for the years ended 31 December 2004 and 2005 represented:

- a) A dividend in respect of 2004 amounting to RMB500,000 was approved at the Annual General Meeting on 30 January 2005 of Anton Oil to its then shareholders.
- b) A dividend in respect of 2005 amounting to RMB15,500,000 was approved at the Annual General Meeting on 7 January 2006 of Anton Oil to its then shareholders.

The rates of dividend and the number of shares ranking for dividends are not presented as such information is not considered meaningful for the purpose of these combined financial statements.

25. EARNINGS PER SHARE

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the preparation of the results for the Relevant Periods on a combined basis as disclosed in Note 2 above.

26. EMOLUMENTS OF DIRECTORS, SUPERVISORS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Details of the emoluments of the directors of the Company (the "Directors") are as follows:

For the year ended 31 December 2004					
Directors	Fees	Basic Salaries and Allowances	Bonus	Retirement benefits and others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Luo Lin.	—	96	—	3	99
Ma Jian.	—	60	—	3	63
Pan Weiguo	—	—	—	—	—
Wang Mingcai	—	—	—	—	—
Zhu Xiaoping	—	—	—	—	—
Zhang Yongyi	—	—	—	—	—
	=	=	=	=	=
	=	156	—	6	162
	=	=	=	=	=
For the year ended 31 December 2005					
Directors	Fees	Basic Salaries and Allowances	Bonus	Retirement benefits and others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Luo Lin.	—	95	—	5	100
Ma Jian.	—	95	—	5	100
Pan Weiguo	—	—	—	—	—
Wang Mingcai	—	—	—	—	—
Zhu Xiaoping	—	—	—	—	—
Zhang Yongyi	—	—	—	—	—
	=	=	=	=	=
	=	190	—	10	200
	=	=	=	=	=
For the year ended 31 December 2006					
Directors	Fees	Basic Salaries and Allowances	Bonus	Retirement benefits and others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Luo Lin.	—	118	—	5	123
Ma Jian.	—	122	—	9	131
Pan Weiguo	—	122	—	8	130
Wang Mingcai	—	—	—	—	—
Zhu Xiaoping	—	—	—	—	—
Zhang Yongyi	—	—	—	—	—
	=	=	=	=	=
	=	362	—	22	384
	=	=	=	=	=

For six months ended 30 June 2006 (unaudited)

Directors	Fees	Basic Salaries and Allowances	Bonus	Retirement benefits and others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Luo Lin.	—	59	—	3	62
Ma Jian.	—	61	—	4	65
Pan Weiguo	—	61	—	4	65
Wang Mingcai	—	—	—	—	—
Zhu Xiaoping	—	—	—	—	—
Zhang Yongyi	—	—	—	—	—
	—	181	—	11	192

For six months ended 30 June 2007

Directors	Fees	Basic Salaries and Allowances	Bonus	Retirement benefits and others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Luo Lin.	—	182	—	3	185
Ma Jian.	—	131	—	5	136
Pan Weiguo	—	160	—	4	164
Wang Mingcai	—	—	—	—	—
Zhu Xiaoping	—	—	—	—	—
Zhang Yongyi	—	—	—	—	—
	—	473	—	12	485

During the Relevant Periods, the emoluments paid to each of the Directors did not exceed HK\$1,000,000 (equivalent to approximately RMB974,000).

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group during the Relevant Periods are as follows:

	Year ended 31 December			Six months ended 30 June	
	2004	2005	2006	2006 (unaudited)	2007
Directors	2	2	3	3	3
Non-director individuals	3	3	2	2	2
	5	5	5	5	5

The details of emoluments paid to five highest paid individuals who were directors of the Company during the Relevant Periods have been included in Note 26 (a) above. Details of emoluments paid to the remaining non-director individuals are as follows:

	Year ended 31 December			Six months ended 30 June	
	2004	2005	2006	2006	2007
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Basic salaries, housing allowances, other allowances and benefits-in- kind	122	258	303	110	271
Contributions to pension schemes . . .	5	7	7	2	1
Discretionary bonuses	—	—	—	—	—
	<u>127</u>	<u>265</u>	<u>310</u>	<u>112</u>	<u>272</u>

During the Relevant Periods, the emoluments paid to each of the highest paid non-director individuals did not exceed HK\$1,000,000 (equivalent to approximately RMB974,000).

- (c) During the Relevant Periods, no Directors or the five highest paid individuals of the Group waived any emoluments and no emoluments were paid by the Group to any of the Directors or the five highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

27. NOTES TO THE COMBINED CASH FLOW STATEMENTS

(a) Reconciliation of profit for the year/period to net cash inflows / (outflows) generated from / (used in) operations:

	Year ended 31 December			Six months ended 30 June	
	2004	2005	2006	2006	2007
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Profit for the year / period	26,211	45,744	78,497	2,157	41,635
Adjustments for:					
Property, plant and equipment					
- depreciation charge (Note 6)	1,352	1,522	5,474	2,558	3,964
- net loss / (gain) on disposals	—	28	110	—	(27)
Amortisation of land use rights (Note 7)	11	11	9	5	3
Provision for impairment of receivables (Note 11)	134	973	312	312	—
Net foreign exchange loss / (gain) (Note 21)	3	(3)	480	(16)	1,189
Interest income (Note 21)	(19)	(26)	(396)	(41)	(2,716)
Interest expenses on borrowing (Note 21)	171	396	1,231	303	2,988
Income tax expense (Note 23)	96	1,623	4,953	289	3,772
Changes in working capital:					
Inventories	(10,262)	3,625	(41,407)	(6,841)	10,304
Trade and notes receivables	(19,363)	(47,623)	(118,803)	36,435	(49,269)
Prepayments and other receivables	(5,001)	(4,359)	1,506	(21,281)	(26,264)
Trade payables	10,952	(77)	5,959	(2,160)	(5,836)
Accruals and other payables	<u>10,595</u>	<u>7,664</u>	<u>(30,723)</u>	<u>(10,008)</u>	<u>(11,088)</u>
Net cash inflows / (outflows) from operations	<u>14,880</u>	<u>9,498</u>	<u>(92,798)</u>	<u>1,712</u>	<u>(31,345)</u>

(b) Major non-cash transactions,

- (i) During the year ended 31 December 2005, Anton Energy injected property, plant and equipment with a net book value of RMB23,683,000 to Xinjiang Tong'ao as capital injection (Note 14(a)).
- (ii) During the Relevant Periods, certain contributions / distributions made by / to Luo Lin and Anton Energy were settled via offsetting with existing receivables and payables with these parties (Note 14).

28. COMMITMENTS

(a) Capital commitments

Capital commitments related to investments in property, plant and equipment and a joint venture at the balance sheet date but not yet provided for in the balance sheets were as follows:

	As at 31 December			As at 30 June
	2004	2005	2006	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Contracted but not provided for	—	—	<u>31,712</u>	<u>60,926</u>

(b) Operating lease commitments — where the Group is the leasee:

The Group leases various offices and warehouses under non-cancellable operating lease agreements. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at 31 December			As at 30 June
	2004	2005	2006	2007
	RMB'000	RMB'000	RMB'000	RMB'000
No later than 1 year.	<u>500</u>	—	<u>48</u>	<u>5,716</u>
	<u>500</u>	—	<u>48</u>	<u>5,716</u>

29. ACQUISITION OF A SUBSIDIARY FROM A THIRD PARTY

On 31 March 2005, the Group acquired 45% interest in Xiguan Antong, which was an associate of the Group before the acquisition (Note 1(c)) from an independent third party. Consequent to this acquisition, the Group's equity interest in Xiguan Antong stepped up to 90% and therefore obtained control in Xiguan Antong.

Details of net assets acquired and goodwill are as follows:

	RMB'000
Purchase consideration - settled by offsetting against payables	225
Fair value of net assets acquired	<u>561</u>
Negative goodwill	<u>(336)</u>

The assets and liabilities arising from the acquisition as at 31 March 2005 are as follows:

	<u>Acquiree's carrying amount</u>
	<u>RMB'000</u>
Property, plant and equipment (Note 6)	591
Inventories	20
Trade receivables	211
Prepayments and other receivables	362
Cash and bank balances	270
Accruals and other payables	<u>(207)</u>
Net assets	<u>1,247</u>
Net assets acquired (45%)	<u>561</u>
Purchase consideration settled in cash	—
Cash and cash equivalents in subsidiary acquired	<u>270</u>
Cash inflow on acquisition	<u>270</u>

Xiguan Antong was almost dormant before the acquisition. As at the acquisition date, fair value of its net assets approximated to the carrying value.

The acquired business contributed revenue of RMB5,326,000 and net profit of RMB2,534,000 to the Group for the period from 1 April 2005 to 31 December 2005. If the acquisition had occurred on 1 January 2005, the Group's combined revenue would have been RMB152,536,000 and net combined profit attributable to equity holders of the Company would have been RMB45,275,000 for the year ended 31 December 2005.

30. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control. Members of key management and their close family member of the Group are also considered as related parties.

- (a) The following companies and persons are related parties the Group during the Relevant Periods:

<u>Names of related parties</u>	<u>Nature of relationship</u>
Luo Lin	Controlling Shareholder
Li Man	Spouse of Luo Lin
Anton Energy	Controlled by the same ultimate controlling party
Anton Holdings	Parent of the Company
Yinchuan Tongsheng Well Engineering Technology Limited	Controlled by the same ultimate controlling party
Ma Jian	Key management
Pan Weiguo	Key management
He Zhigang	Key management

(b) Transactions with related parties

Save as disclosed elsewhere in this report, during the Relevant Periods, the following transactions were carried out with related parties:

	Year ended 31 December			Six months ended 30 June	
	2004	2005	2006	2006	2007
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Purchases of goods					
Yinchuan Tongsheng Well Engineering Technology Limited	—	—	844	—	—
Purchases of office building					
Luo Lin	—	—	2,046	—	—
Li Man	—	—	972	—	—
He Zhigang	—	—	2,068	—	—
Payments of the Group on behalf of related parties					
Anton Energy	1,471	173	807	357	—
Luo Lin	297	123	23	20	370
Li Man	—	167	254	50	—
Pan Weiguo	—	—	40	—	—
Ma Jian	433	510	332	79	172
He Zhigang	380	476	252	133	2,493
Yinchuan Tongsheng Well Engineering Technology Limited	—	—	—	56	—
Distributions to the related parties as deemed distributions to the equity holders of the Company					
Anton Energy	—	27,447	8,589	—	—
Luo Lin	—	4,860	—	—	—
Li Man	—	102	—	—	—
He Zhigang	—	540	—	—	—
Payments of the related parties on behalf of the Group					
Anton Energy	6,874	—	9,990	400	—
Luo Lin	1,084	10	270	—	—
Li Man	—	3	—	—	—
Ma Jian	—	65	136	100	56
He Zhigang	—	38	54	24	6
Yinchuan Tongsheng Well Engineering Technology Limited	—	—	—	—	810
Capital injections from the related parties as deemed contribution of the equity holders of the Company					
Anton Energy	—	29,183	75,630	—	—
Anton Holdings	—	—	89,761	—	—
Luo Lin	—	1,701	—	—	—
Li Man	—	500	—	—	—
He Zhigang	—	189	—	—	—
Interest expenses					
Anton Energy	—	—	8	—	240

(c) Balances with related party

	As at 31 December			As at 30 June
	2004	2005	2006	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Prepayments and other receivables				
Anton Energy	1,221	8,220	6,073	—
Yinchuan Tongsheng Well Engineering Technology Limited	—	—	42	42
Luo Lin	168	—	—	—
Li Man	—	556	—	—
Ma Jian	256	—	50	19
Pan Weiguo	—	—	30	—
He Zhigang	198	18	53	71
	<u>1,843</u>	<u>8,794</u>	<u>6,248</u>	<u>132</u>
Accruals and other payables				
Anton Energy	6,492	26,758	4	4
Luo Lin	1,075	3,179	2,255	1,985
Li Man	—	103	972	972
Ma Jian	—	49	21	32
He Zhigang	—	—	2,068	2,012
	<u>7,567</u>	<u>30,089</u>	<u>5,320</u>	<u>5,005</u>

Balances with related parties were all unsecured, non-interest bearing and had no fixed repayment terms.

(d) Short-term borrowings from related parties

	As at 31 December			As at 30 June
	2004	2005	2006	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Anton Energy (i)	—	—	7,840	7,840
Anton Holdings (ii)	—	—	23,426	22,847

(i) Short-term borrowings from Anton Energy represented unsecured entrusted loans borrowed from Anton Energy via Shenzhen Development Bank Co., Ltd. Beijing Anhua Branch, with a principal amount of RMB7,840,000, bearing an interest rate of 6.12% per annum.

(ii) Short-term borrowings from Anton Holdings is unsecured and non-interest bearing.

The short-term borrowings from related parties have been fully settled as of the date of this report.

(e) As stated in Note 15(a), (i) as at 31 December 2006, Luo Lin's equity interest in Anton Energy was designated as the counter guarantee to a third party for its guarantee of the Group's borrowings; (ii) as at 30 June 2007, Luo Lin, Ma Jian and He Zhigang provided guarantee as a part of the counter-guarantee of the Group's guaranteed borrowings; (iii) as at 30 June 2007, guaranteed bank borrowings amounting to RMB23,000,000 were guaranteed by Luo Lin. As of the date of this report, the counter guarantees provided by Luo Lin, He Zhigang and Ma Jian, and the guarantees provided by Luo Lin were released and withdrawn.

The directors of the Company are of the view that (i) other than normal travel expense advances, no related party transactions disclosed above will be continued after the listing of the Company on the Main Board of the Stock Exchange of Hong Kong Limited; (ii) all related party transactions are conducted in the ordinary and usual course of business of the Group.

31. SUBSEQUENT EVENTS

- (a) On 14 August 2007, Anton Energy Services Corp., a limited company engaged in sales and leasing of drilling equipments, was incorporated in Canada as a wholly owned subsidiary of the Company.
- (b) On 27 September 2007, Anton Oil received additional capital injection amounting to US\$15,400,000, approximately RMB115,742,000, from Anton Holdings, its then parent company, in which US\$12,400,000, approximately RMB93,195,000 was received in cash and US\$3,000,000, approximately RMB22,547,000, was converted from Anton Holdings' loan to Anton Oil (Note 15 (b)(ii)).
- (c) On 2 October 2007, Anton Oil entered into an agreement to acquire 100% of the equity interest of Beijing Hinen-Hitech Petroleum Technology Development Co., Ltd. from third parties, with a cash consideration of RMB149 million. The acquisition was completed on 5 November 2007.
- (d) On 2 October 2007, Anton Oil entered into an agreement to acquire 100% of the equity interest of Beijing Huarme Petroleum Technology Co., Ltd. from third parties, with a cash consideration of RMB1 million. The acquisition was completed on 5 November 2007.
- (e) On 30 October 2007, the Group established a jointly controlled entity named Northern Heavy Anton Machinery Manufacturing Co., Ltd. (北重安東機械制造有限公司), "Northern Heavy Anton", with Inner Mongolia Northern Heavy Industry Group Co., Ltd. (內蒙古北方重工業集團有限公司). Northern Heavy Anton is registered as a limited liability company in the PRC, with a registered capital of RMB100 million and Anton Oil held 50% of its equity interest.
- (f) Pursuant to a sale and purchase agreement entered into between the Company and Anton Holdings on 28 September 2007, the Company acquired the entire equity interests in Anton Oil from Anton Holdings, in consideration of which, the Company issued and allotted 999,999 shares to Anton Holdings and credit the one unpaid share in the Company held by Anton Holdings as fully paid (the "First Transfer"). Immediately after completion of the First Transfer, the Company transferred its 100% interest in Anton Oil to Pure Energy Investments Limited in consideration of Pure Energy Investments Limited issued and allotted 99 shares to the Company (the "Second Transfer"). Upon completion of the First Transfer and the Second Transfer and the approval from the PRC government on 31 October 2007, Anton Oil was directly wholly owned by Pure Energy Investments Limited.
- (g) Pursuant to the resolutions in writing of the shareholders of the Company passed on 17 November 2007, the authorised share capital of the Company was increased from HK\$100,000 to HK\$350,000,000 by the creation of an additional 3,499,000,000 Shares. The directors of the Company were conditionally authorised to capitalise HK\$154,625,000 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 1,546,250,000 Shares.
- (h) On 1 October 2007 and 17 November 2007, the Company has approved and adopted a pre-IPO share option scheme ("Pre-IPO Share Option Scheme") and a share option scheme ("Share Option Scheme"), respectively, the purpose of which are to provide incentive to the Group's directors and employees for their contribution to the Group. As of the date of this report, the Company has granted share options under the Pre-IPO Share Option Scheme whereby the option holders are entitled to acquire an aggregate of 86,025,000 shares of the Company over vesting periods of ranging from 1 to 5 years. No options have been granted under the Share Option Scheme to the date of this report.

III. FINANCIAL INFORMATION OF THE COMPANY

As at 30 June 2007, the Company had not been incorporated and, accordingly, it had no assets, liabilities or distributable reserves as at that date.

IV. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 June 2007 and up to the date of this report. Save as disclosed in this report, no dividend or other distribution has been declared, made or paid by the Company or any of its subsidiaries in respect of any period subsequent to 30 June 2007.

Yours faithfully,
PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

The following is the text of a report, prepared for the purpose of inclusion in this prospectus, received from the Company's reporting accountants, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong.



羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

The Directors
Anton Oilfield Services Group

Credit Suisse (Hong Kong) Limited
J.P. Morgan Securities (Asia Pacific) Limited

3 December 2007

Dear Sirs,

We set out below our report on the financial information (the “Financial Information”) of Beijing Hinen-Hitech Petroleum Technology Development Co., Ltd. (北京海能海特石油科技發展有限公司, “Hinen-Hitech”) and its subsidiary (together, the “Hinen-Hitech Group”) set out in Sections I to III below, for inclusion in the prospectus of Anton Oilfield Services Group (the “Company”) dated 3 December 2007 (the “Prospectus”), in connection with the initial public offering of shares of the Company and the listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited. The Financial Information comprises the consolidated and company balance sheets of Hinen-Hitech as at 31 December 2004, 2005 and 2006 and 30 June 2007, and the consolidated income statements, the consolidated statements of changes in equity and the consolidated cash flow statements for each of the years ended 31 December 2004, 2005 and 2006 and the six months ended 30 June 2006 and 2007 (the “Relevant Periods”), and a summary of significant accounting policies and other explanatory notes.

Hinen-Hitech was incorporated in the People's Republic of China (the “PRC”) on 18 September 2000 with limited liability under the Company Law of the PRC. As of the date of this report, Hinen-Hitech had direct interest in a subsidiary, detailed of which are set out in note 1 of section II below. Hinen-Hitech and its subsidiary are both private companies.

No statutory audited financial statements have been prepared by Hinen-Hitech and its subsidiary.

For the purpose of this report, the directors of Hinen-Hitech have prepared the consolidated financial statements of Hinen-Hitech Group for the Relevant Periods in accordance with International Financial Reporting Standards (“IFRSs”) (the “Underlying Financial Statements”). PricewaterhouseCoopers Zhong Tian CPAs Limited Company Beijing Branch (普華永道中天會計師事務所有限公司北京分所) has audited the Underlying Financial Statements for each of the years ended 31 December 2004, 2005 and 2006 and the six months ended 30 June 2007 in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The Financial Information has been prepared based on the Underlying Financial Statements, with no adjustment made thereon.

Directors' responsibility

The directors of Hinen-Hitech are responsible for the preparation and the true and fair presentation of the Underlying Financial Statements in accordance with IFRSs. The directors of the Company and Hinen-Hitech are responsible for the preparation and the true and fair presentation of the Financial Information in accordance with IFRSs. These responsibilities include designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of Underlying Financial Statements and Financial Information that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Reporting accountant's responsibility

For the financial information for each of the years ended 31 December 2004, 2005 and 2006 and the six months ended 30 June 2007, our responsibility is to express an opinion on the financial information based on our examination and to report our opinion to you. We examined the Underlying Financial Statements, and carried out independent audit procedures in accordance with the Hong Kong Standards on Auditing issued by the HKICPA and such additional procedures as are necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

For the financial information for the six months ended 30 June 2006, it is our responsibility to form an independent conclusion, based on our review, on the financial information and to report our conclusion to you. We conducted our review on the financial information in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the HKICPA. A review consists principally of making enquiries of the group management and applying analytical procedures to the financial information and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information for the six months ended 30 June 2006.

Opinion and review conclusion

In our opinion, the financial information for each of the years ended 31 December 2004, 2005 and 2006 and the six months ended 30 June 2007, for the purpose of this report, gives a true and fair view of the state of affairs of Hinen-Hitech and Hinen-Hitech Group as at 31 December 2004, 2005 and 2006 and 30 June 2007 and of Hinen-Hitech Group's consolidated results and cash flows for the years and period then ended.

On the basis of our review which does not constitute an audit, for the purpose of this report, we are not aware of any material modifications that should be made to the financial information for the six months ended 30 June 2006.

I. FINANCIAL INFORMATION OF HINEN-HITECH GROUP

(a) Consolidated balance sheets

	Section II Note	As at 31 December			As at 30 June
		2004	2005	2006	2007
		RMB'000	RMB'000	RMB'000	RMB'000
ASSETS					
Non-current assets					
Property, plant and equipment	5	382	527	5,041	6,136
		<u>382</u>	<u>527</u>	<u>5,041</u>	<u>6,136</u>
Current assets					
Inventories	7	2,749	5,844	13,416	15,530
Trade receivables	8	1,218	7,038	21,626	30,519
Prepayments and other receivables	9	—	11	726	3,004
Cash and cash equivalents	10	1,200	2,010	3,356	9,916
		<u>5,167</u>	<u>14,903</u>	<u>39,124</u>	<u>58,969</u>
Total assets		<u>5,549</u>	<u>15,430</u>	<u>44,165</u>	<u>65,105</u>
EQUITY					
Capital and reserves attributable to Hinen-Hitech's equity holders					
Paid-in capital	11	500	500	500	500
Other reserves	11	267	267	296	296
Retained earnings		3,654	11,715	35,811	49,258
		<u>4,421</u>	<u>12,482</u>	<u>36,607</u>	<u>50,054</u>
Minority interests		<u>—</u>	<u>—</u>	<u>1,263</u>	<u>1,690</u>
Total equity		<u>4,421</u>	<u>12,482</u>	<u>37,870</u>	<u>51,744</u>
LIABILITIES					
Non-current liabilities					
Long-term borrowings	12	—	—	—	1,500
		<u>—</u>	<u>—</u>	<u>—</u>	<u>1,500</u>
Current liabilities					
Trade payables	13	874	1,518	2,504	3,872
Accruals and other payables	14	208	1,136	2,452	5,576
Current income tax liabilities		46	294	1,339	2,413
		<u>1,128</u>	<u>2,948</u>	<u>6,295</u>	<u>11,861</u>
Total liabilities		<u>1,128</u>	<u>2,948</u>	<u>6,295</u>	<u>13,361</u>
Total equity and liabilities		<u>5,549</u>	<u>15,430</u>	<u>44,165</u>	<u>65,105</u>
Net current assets		<u>4,039</u>	<u>11,955</u>	<u>32,829</u>	<u>47,108</u>
Total assets less current liabilities		<u>4,421</u>	<u>12,482</u>	<u>37,870</u>	<u>53,244</u>

(b) Balance sheets

	Section II	As at 31 December			As at
		2004	2005	2006	30 June
	Note	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS					
Non-current assets					
Property, plant and equipment	5	382	527	1,479	2,251
Investment in a subsidiary	6	—	—	2,333	2,333
		<u>382</u>	<u>527</u>	<u>3,812</u>	<u>4,584</u>
Current assets					
Inventories	7	2,749	5,844	13,026	14,743
Trade receivables	8	1,218	7,038	21,626	30,519
Prepayments and other receivables	9	—	11	492	693
Cash and cash equivalents	10	1,200	2,010	3,290	9,642
		<u>5,167</u>	<u>14,903</u>	<u>38,434</u>	<u>55,597</u>
Total assets		<u>5,549</u>	<u>15,430</u>	<u>42,246</u>	<u>60,181</u>
EQUITY					
Equity attributable to Hinen-Hitech's equity holders					
Paid-in capital	11	500	500	500	500
Other reserves	11	267	267	267	267
Retained earnings		<u>3,654</u>	<u>11,715</u>	<u>35,646</u>	<u>48,237</u>
Total equity		<u>4,421</u>	<u>12,482</u>	<u>36,413</u>	<u>49,004</u>
LIABILITIES					
Current liabilities					
Trade payables	13	874	1,518	2,539	3,739
Accruals and other payables	14	208	1,136	1,955	5,025
Current income tax liabilities		<u>46</u>	<u>294</u>	<u>1,339</u>	<u>2,413</u>
		<u>1,128</u>	<u>2,948</u>	<u>5,833</u>	<u>11,177</u>
Total liabilities		<u>1,128</u>	<u>2,948</u>	<u>5,833</u>	<u>11,177</u>
Total equity and liabilities		<u>5,549</u>	<u>15,430</u>	<u>42,246</u>	<u>60,181</u>
Net current assets		<u>4,039</u>	<u>11,955</u>	<u>32,601</u>	<u>44,420</u>
Total assets less current liabilities		<u>4,421</u>	<u>12,482</u>	<u>36,413</u>	<u>49,004</u>

(c) Consolidated income statements

	Section II	Year ended 31 December			Six months ended 30 June	
		2004	2005	2006	2006	2007
	Note	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(unaudited)	
Revenue	15	6,548	28,264	59,241	20,950	42,640
Cost of sales		(4,448)	(17,723)	(30,691)	(8,916)	(23,277)
Gross profit		2,100	10,541	28,550	12,034	19,363
Selling, general and administrative expenses		(1,491)	(1,728)	(2,405)	(1,394)	(3,230)
Operating profit	16	609	8,813	26,145	10,640	16,133
Interest income		3	5	21	9	4
Finance expenses		—	(1)	(5)	(3)	(36)
Finance income/(costs), net	17	3	4	16	6	(32)
Profit before income tax		612	8,817	26,161	10,646	16,101
Income tax expense	19	(46)	(756)	(1,939)	(798)	(2,227)
Profit for the year / period		566	8,061	24,222	9,848	13,874
Attributable to:						
Equity holders of Hinen-Hitech . .		566	8,061	24,125	9,848	13,447
Minority interests		—	—	97	—	427
		566	8,061	24,222	9,848	13,874
Dividends		—	—	—	—	—

(d) Consolidated statements of changes in equity

	Section II Note	Equity attributable to Hinen-Hitech's equity holders					Total equity RMB'000
		Capital	Statutory reserves	Retained earnings	Total	Minority interests	
		RMB'000 (Note 11)	RMB'000 (Note 11)	RMB'000	RMB'000	RMB'000	
At 1 January 2004		500	267	3,088	3,855	—	3,855
Profit for the year		—	—	566	566	—	566
At 31 December 2004		500	267	3,654	4,421	—	4,421
Profit for the year		—	—	8,061	8,061	—	8,061
At 31 December 2005		500	267	11,715	12,482	—	12,482
Profit for the year		—	—	24,125	24,125	97	24,222
Capital injection		—	—	—	—	1,166	1,166
Transfer to statutory reserves	11	—	29	(29)	—	—	—
At 31 December 2006		500	296	35,811	36,607	1,263	37,870
Profit for the period		—	—	13,447	13,447	427	13,874
At 30 June 2007		500	296	49,258	50,054	1,690	51,744
At 31 December 2005		500	267	11,715	12,482	—	12,482
Profit for the period (unaudited)		—	—	9,848	9,848	—	9,848
Capital injection (unaudited)		—	—	—	—	1,000	1,000
At 30 June 2006 (unaudited)		500	267	21,563	22,330	1,000	23,330

(e) Consolidated cash flow statements

	Section II	Year ended 31 December			Six months ended 30 June	
		2004	2005	2006	2006	2007
	Note	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(unaudited)	
Cash flows from operating activities						
Net cash inflows from operations	21	302	1,605	5,876	3,847	7,637
Interest paid		—	—	—	—	(7)
Income tax paid		—	(508)	(894)	(297)	(1,153)
Net cash generated from operating activities		<u>302</u>	<u>1,097</u>	<u>4,982</u>	<u>3,550</u>	<u>6,477</u>
Cash flows from investing activities						
Purchases of property, plant and equipment		(137)	(287)	(3,952)	(226)	(1,417)
Net cash used in investing activities		<u>(137)</u>	<u>(287)</u>	<u>(3,952)</u>	<u>(226)</u>	<u>(1,417)</u>
Cash flows from financing activities						
Proceeds from long-term borrowings		—	—	—	—	1,500
Capital injection		—	—	316	150	—
Net cash generated from financing activities		<u>—</u>	<u>—</u>	<u>316</u>	<u>150</u>	<u>1,500</u>
Net increase in cash and cash equivalents		165	810	1,346	3,474	6,560
Cash and cash equivalents, at beginning of the year / period		<u>1,035</u>	<u>1,200</u>	<u>2,010</u>	<u>2,010</u>	<u>3,356</u>
Cash and cash equivalents at end of the year / period		<u>1,200</u>	<u>2,010</u>	<u>3,356</u>	<u>5,484</u>	<u>9,916</u>

II. NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION

Hinen-Hitech was incorporated in the People's Republic of China (the "PRC") on 18 September 2000 as a limited liability company. The address of Hinen-Hitech's office is 707A, Beikong Building, 10# Baifuquan Road, Changping District, Beijing, the PRC.

As at the date of this report, Hinen-Hitech had direct interest in the following subsidiary:

Company name	Country/Place of operation and date of incorporation	Paid-up capital (RMB)	Equity interest held by Hinen-Hitech	Principal activities	Type of legal entity
Cangzhou Hinen-Hitech Petroleum Technology Development Co., Ltd (滄州海能海特石油科技發展有限公司, "Cangzhou Hinen-Hitech")	Cangzhou, Hebei Province, the PRC 22 June 2006	3,500,000	66.67%	Oilfield services and sales of production equipment	Limited liability company

Hinen-Hitech is principally engaged in manufacturing and sales of petroleum drilling and sand control equipment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The Financial Information has been prepared in accordance with International Financial Reporting Standards ("IFRS"), and has been prepared under the historical cost convention.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied throughout the Relevant Periods.

The preparation of these consolidated financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying Hinen-Hitech Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4 of this Section.

Standards, interpretations and amendments to published standards not yet effective and relevant to the operations of Hinen-Hitech Group

Certain new standards, interpretations and amendments to existing standards have been published, that are relevant to the operations of Hinen-Hitech Group, but not yet effective and have not been early adopted are as follows:

- IAS 1 "Presentation of Financial Statements" revised in September 2007 (applies to annual periods beginning on or after 1 January 2009). The revised IAS 1 supersedes the previous IAS 1 (revised in 2003 and amended in 2005). It requires an entity to present, in a statement of changes in equity, all owner changes in equity. All non-owner changes in equity (i.e. comprehensive income) are required to be presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). Components of comprehensive income are not permitted to be presented in the statement of changes in equity. The revised IAS 1 requires an entity to present a statement of financial position as at the beginning of the earliest comparative period in a complete set of financial statements when the entity applies an accounting policy retrospectively or makes a retrospective restatement, as defined in IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", or when the entity reclassifies items in the financial statements. The revised IAS 1 also requires an entity to disclose reclassification adjustments and income tax relating to each component of other comprehensive income. Reclassification adjustments are the amounts reclassified to profit or loss in the current period that were previously recognised in other comprehensive income. Hinen-Hitech Group will apply the revised IAS 1 from 1 January 2009.

- IAS 23 “Borrowing costs” revised in March 2007 (applies to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009). The amendment requires that borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset should be capitalised in the cost of the asset; the option of immediately recognising those borrowing costs as an expense was removed. This amendment will not have impact on Hinen-Hitech Group as the option to capitalise the borrowing costs is applied.
- IFRS 8, Operating Segments (effective from annual periods beginning on or after 1 January 2009). IFRS 8 replaces IAS 14, Segment Reporting, and specifies how an entity should report information about its operating segments in annual financial statements and, as a consequential amendment to IAS 34, Interim Financial Reporting, requires an entity to report selected information about its operating segments in interim financial reports. This standard also sets out requirements for related disclosures about products and services, geographical areas and major customers. Management consider there will not be significant impact from adopting IFRS 8 on the financial statements of the Group since 1 January 2009.
- IFRIC Interpretation 11, IFRS 2 - Group and Treasury Share Transactions (effective for annual periods beginning on or after 1 March 2007, retrospective adjustment is required, subject to the transitional provision of IFRS 2 which applies to all equity instruments granted after 7 November 2002 not yet vested on 1 January 2005). IFRIC Interpretation 11 clarified that certain types of transaction are accounted for as equity-settled or cash-settled transactions under IFRS 2. It also addresses the accounting for share-based payment transactions involving two or more entities within one group. Hinen-Hitech Group will apply IFRIC Interpretation 11 from 1 January 2008.

(b) Consolidation

(i) Subsidiaries

Subsidiaries are all entities over which Hinen-Hitech Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether Hinen-Hitech Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to Hinen-Hitech Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for acquisition of subsidiary by Hinen-Hitech Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of Hinen-Hitech Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiary have been changed where necessary to ensure consistency with the policies adopted by Hinen-Hitech Group.

In Hinen-Hitech's balance sheet, investment in a subsidiary is initially accounted for at cost. Subsequently, the carrying amount of investment in a subsidiary is written down immediately to its recoverable amount if the carrying amount is greater than its estimated recoverable amount.

(ii) Transactions with minority interests

Hinen-Hitech Group applies a policy of treating transactions with minority interests as transactions with equity owners of Hinen-Hitech Group. For purchases from minority interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is deducted from equity. Gains or losses on disposals to minority interests are also recorded in equity. For disposals to minority interests, differences between any proceeds received and the relevant share of minority interests are also recorded in equity.

(c) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

Hinen-Hitech Group's primary format for reporting segment is business segment, with secondary information reported geographically.

(d) Foreign currency translation**(i) Functional and presentation currency**

Items included in the financial statements of each of Hinen-Hitech Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is Hinen-Hitech's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except for those attributable to foreign currency borrowings that have been taken out specifically for the construction of fixed assets, which are capitalised as part of the fixed asset costs.

(e) Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Hinen-Hitech Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

	<u>Estimated useful life</u>
Buildings	20 years
Machinery and equipment	5 years
Motor vehicles	5 years
Furniture, fixtures and others	5 years

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

No depreciation is provided for construction in progress until they are completed and ready for use.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gain and losses on disposals are determined by comparing proceeds with carrying amount and are recognised within other gains/losses in the income statements.

(f) Impairment of investment in a subsidiary and non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(g) Financial assets

Hinen-Hitech Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

(h) Inventories

Inventories primarily consist of materials and finished goods used for sales. Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs to completion and the applicable variable selling expenses.

(i) Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision made for impairment of these receivables. A provision for impairment of receivables is established when there is objective evidence that Hinen-Hitech Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the carrying amount of the asset and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within other operating costs. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against other operating costs in the income statement.

(j) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

(k) Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(l) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless Hinen-Hitech Group has contractual or an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(m) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

(n) Financial liabilities

Financial liabilities are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(o) Employee benefits

Hinen-Hitech Group has various defined contribution plans for pensions, housing fund and other social obligations in accordance with the local conditions and practices in the municipalities and provinces in which they operate. A defined contribution plan is a pension and/or other social benefits plan under which Hinen-Hitech Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods. The contributions are recognised as employee benefit expenses when they are due.

(p) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of Hinen-Hitech Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within Hinen-Hitech Group.

Hinen-Hitech Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of Hinen-Hitech Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. Hinen-Hitech Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) Sales of goods

Revenue associated with the sales of goods is recognised when the title to the goods has been passed to the customer, which is at the date when the customer receives and accepts the goods and collectibility of the related receivables is reasonably assumed.

(ii) *Sales of services*

Sales of services are recognised in the accounting period in which the services are rendered.

(iii) *Interest income*

Interest income is recognised on a time-proportion basis using the effective interest method.

(q) **Borrowing costs**

Borrowing costs comprise interest incurred on borrowings, amortisation of discounts or premiums, ancillary costs incurred in connection with the arrangement of borrowings, and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalised as part of the cost of that asset. Other borrowing costs are recognised as expenses and included as finance costs in the period in which they are incurred.

(r) **Operating lease (as a lessee)**

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

3. FINANCIAL RISK MANAGEMENT(a) **Financial risk factors**

Hinen-Hitech Group's activities expose it to a variety of financial risks: credit risk, cash flow interest rate risk and foreign exchange risk.

(i) *Credit risk*

Hinen-Hitech Group has concentrations of credit risk. Five largest customers represented approximately 89%, 74%, 84% and 89% of the revenues of Hinen-Hitech Group for the years ended 31 December 2004, 2005 and 2006 and the six months ended 30 June 2007 respectively. Hinen-Hitech Group has policies in place to ensure that sales of products are made to customers with an appropriate credit history. Hinen-Hitech Group's historical experience in collection of trade and other receivables falls within the recorded allowance and the directors are of the opinion that adequate provision for uncollectible receivables has been made in the Financial Information. The carrying amounts of bank deposits, trade and notes receivables and other receivables except for prepayments included in the consolidated balance sheets represent Hinen-Hitech Group's maximum exposure to credit risk in relation to its financial assets.

The table below shows the bank deposits balance of 3 major banks as at 31 December 2004, 2005, 2006 and 30 June 2007. Management does not expect any losses from non-performance by these banks.

Counterparty	Rating*	As at 31 December			As at
		2004	2005	2006	30 June
		RMB'000	RMB'000	RMB'000	RMB'000
China Construction Bank	BBB+	947	1,486	2,600	6,575
Agricultural Bank of China	BBBpi	—	—	123	114
Bank of China	BBB+	—	—	—	2,887
Others		—	—	—	254
		<u>947</u>	<u>1,486</u>	<u>2,723</u>	<u>9,830</u>

* The source of current credit rating is from Standard & Poor.

Hinen-Hitech Group's credit sales are only made to customers with appropriate credit history and the new customers who are entities owned or managed by the Group's several major customers who have no default history. Most of the credit period is 6 months.

(ii) *Cash flow interest rate risk*

Other than cash and cash equivalents, Hinen-Hitech Group has no significant interest-bearing assets, Hinen-Hitech Group's income and operating cash flows are substantially independent of changes in market interest rates.

Hinen-Hitech Group's interest rate risk mainly arises from borrowings. Borrowings at variable rates expose Hinen-Hitech Group to cash flow interest-rate risk. Hinen-Hitech Group historically has not used any financial instruments to hedge potential fluctuations in interest rates.

(iii) *Foreign exchange risk*

Hinen-Hitech Group mainly operates in the PRC with most of the transactions denominated and settled in RMB, while Hinen-Hitech Group also has limited purchases from and sales to overseas. Foreign exchange risk also arise from certain trade receivables denominated in foreign currencies. Hinen-Hitech Group is exposed to foreign currency exchange risk primarily with respect to US\$.

During the Relevant Periods, Hinen-Hitech Group has not used any financial instrument to hedge the foreign exchange risk.

As at 31 December 2004 and 2005, trade receivables denominated in foreign currencies were immaterial.

As at 31 December 2006, if RMB had strengthened/weakened by 3% against the US\$ with all other variables held constant, profit for the year and equity attributable to the equity holders of Hinen-Hitech would have been RMB245,000 lower/higher mainly as a result of foreign exchange losses/gains on translation of US\$-denominated trade receivables.

As at 30 June 2007, if RMB had strengthened/weakened by 2.5% against the US\$ with all other variables held constant, profit for the period and equity attributable to the equity holders of Hinen-Hitech would have been RMB193,000 lower/higher mainly as a result of foreign exchange losses/gains on translation of US\$-denominated trade receivables.

(iv) *Liquidity risk*

The liquidity risk of Hinen-Hitech Group is controlled by maintaining sufficient cash and cash equivalents, which is generated from the operating cash flow and financing cash flow.

The table below analyses Hinen-Hitech Group's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	<u>Within 1 year</u>
	<u>RMB'000</u>
As at 31 December 2004	
Trade payables	874
Accruals and other payables	208
Current income tax liabilities	46
	<u>1,128</u>

	<u>Within 1 year</u>	
	RMB'000	
As at 31 December 2005		
Trade payables	1,518	
Accruals and other payables	1,136	
Current income tax liabilities	<u>294</u>	
	<u>2,948</u>	
	<u>Within 1 year</u>	
	RMB'000	
As at 31 December 2006		
Trade payables	2,504	
Accruals and other payables	2,452	
Current income tax liabilities	<u>1,339</u>	
	<u>6,295</u>	
	<u>Within 1 year</u>	<u>Between 1 to 2 years</u>
	RMB'000	RMB'000
As at 30 June 2007		
Trade payables	3,872	—
Accruals and other payables	5,576	—
Current income tax liabilities	2,413	—
Long-term borrowings	<u>192</u>	<u>1,692</u>
	<u>12,053</u>	<u>1,692</u>

(b) Fair value estimation

The carrying amounts of Hinen-Hitech Group's financial assets including cash and cash equivalents, deposits in approved financial institutions, trade and other receivables; and financial liabilities including trade and other payables, approximate their fair values due to their short maturities.

(c) Capital risk management

Hinen-Hitech Group's objectives when managing capital are to safeguard Hinen-Hitech Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, Hinen-Hitech Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

Hinen-Hitech Group monitors capital mainly by way of cash flow forecasting and budgeting.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Hinen-Hitech Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Impairment of trade and other receivables

Hinen-Hitech Group's management makes provision for doubtful debts based on the assessment of the recoverability of trade and other receivables with reference to the extent and duration that the amount will be recovered. Provisions are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact carrying value of receivables and doubtful debt expenses in the period in which such estimate has been changed.

Despite the significant increase in the gross balance of trade receivables as of 30 June 2007, no further impairment provision of trade receivables needs to be made because the increase in gross trade receivables was mainly derived from the increase in sales to major customers with no default history.

Ageing analysis of past-due trade receivables is as follows:

	As at 31 December			As at
	2004	2005	2006	30 June
	RMB'000	RMB'000	RMB'000	2007
				RMB'000
1 - 6 months	—	—	—	—
6 months - 1 year	1,858	7,987	22,483	245
1 - 2 years	—	197	44	1,843
	<u>1,858</u>	<u>8,184</u>	<u>22,527</u>	<u>2,088</u>

(b) Income taxes

There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Hinen-Hitech Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

5. PROPERTY, PLANT AND EQUIPMENT

	Hinen-Hitech Group					
	Buildings	Machinery and equipment	Motor vehicles	Furniture, fixtures and others	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2004						
Cost	—	530	—	59	—	589
Accumulated depreciation	—	(208)	—	(14)	—	(222)
Net book value	—	322	—	45	—	367
Year ended 31 December 2004						
Opening net book value	—	322	—	45	—	367
Additions	—	76	—	61	—	137
Depreciation charge	—	(107)	—	(15)	—	(122)
Closing net book value	—	291	—	91	—	382
At 31 December 2004						
Cost	—	606	—	120	—	726
Accumulated depreciation	—	(315)	—	(29)	—	(344)
Net book value	—	291	—	91	—	382
Year ended 31 December 2005						
Opening net book value	—	291	—	91	—	382
Additions	—	199	—	88	—	287
Depreciation charge	—	(117)	—	(25)	—	(142)
Closing net book value	—	373	—	154	—	527
At 31 December 2005						
Cost	—	805	—	208	—	1,013
Accumulated depreciation	—	(432)	—	(54)	—	(486)
Net book value	—	373	—	154	—	527
Year ended 31 December 2006						
Opening net book value	—	373	—	154	—	527
Additions	—	1,856	176	281	2,489	4,802
Transfer in / (out)	2,489	—	—	—	(2,489)	—
Depreciation charge	(10)	(216)	(6)	(56)	—	(288)
Closing net book value	2,479	2,013	170	379	—	5,041
At 31 December 2006						
Cost	2,489	2,661	176	489	—	5,815
Accumulated depreciation	(10)	(648)	(6)	(110)	—	(774)
Net book value	2,479	2,013	170	379	—	5,041
Six months ended 30 June 2007						
Opening net book value	2,479	2,013	170	379	—	5,041
Additions	—	361	673	188	195	1,417
Transfer in / (out)	195	—	—	—	(195)	—
Depreciation charge	(59)	(210)	(40)	(13)	—	(322)
Closing net book value	2,615	2,164	803	554	—	6,136
At 30 June 2007						
Cost	2,684	3,022	849	677	—	7,232
Accumulated depreciation	(69)	(858)	(46)	(123)	—	(1,096)
Net book value	2,615	2,164	803	554	—	6,136

	Hinen-Hitech			
	Machinery and equipment	Motor vehicles	Furniture, fixtures and others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2004				
Cost	530	—	59	589
Accumulated depreciation	(208)	—	(14)	(222)
Net book value	<u>322</u>	<u>—</u>	<u>45</u>	<u>367</u>
Year ended 31 December 2004				
Opening net book value	322	—	45	367
Additions	76	—	61	137
Depreciation charge	(107)	—	(15)	(122)
Closing net book value	<u>291</u>	<u>—</u>	<u>91</u>	<u>382</u>
At 31 December 2004				
Cost	606	—	120	726
Accumulated depreciation	(315)	—	(29)	(344)
Net book value	<u>291</u>	<u>—</u>	<u>91</u>	<u>382</u>
Year ended 31 December 2005				
Opening net book value	291	—	91	382
Additions	199	—	88	287
Depreciation charge	(117)	—	(25)	(142)
Closing net book value	<u>373</u>	<u>—</u>	<u>154</u>	<u>527</u>
At 31 December 2005				
Cost	805	—	208	1,013
Accumulated depreciation	(432)	—	(54)	(486)
Net book value	<u>373</u>	<u>—</u>	<u>154</u>	<u>527</u>
Year ended 31 December 2006				
Opening net book value	373	—	154	527
Additions	934	26	219	1,179
Depreciation charge	(174)	—	(53)	(227)
Closing net book value	<u>1,133</u>	<u>26</u>	<u>320</u>	<u>1,479</u>
At 31 December 2006				
Cost	1,739	26	427	2,192
Accumulated depreciation	(606)	—	(107)	(713)
Net book value	<u>1,133</u>	<u>26</u>	<u>320</u>	<u>1,479</u>
Six months ended 30 June 2007				
Opening net book value	1,133	26	320	1,479
Additions	182	647	131	960
Depreciation charge	(149)	(33)	(6)	(188)
Closing net book value	<u>1,166</u>	<u>640</u>	<u>445</u>	<u>2,251</u>
At 30 June 2007				
Cost	1,921	673	558	3,152
Accumulated depreciation	(755)	(33)	(113)	(901)
Net book value	<u>1,166</u>	<u>640</u>	<u>445</u>	<u>2,251</u>

6. INVESTMENT IN A SUBSIDIARY

Unlisted investment, at cost

	Hinen-Hitech			
	As at 31 December			As at 30 June
	2004	2005	2006	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Beginning of year/period	—	—	—	2,333
Addition	—	—	2,333	—
End of year/period	<u>—</u>	<u>—</u>	<u>2,333</u>	<u>2,333</u>

7. INVENTORIES

	Hinen-Hitech Group			
	As at 31 December			As at 30 June
	2004	2005	2006	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	1,269	3,259	9,580	11,915
Work in progress	—	—	36	151
Finished goods	<u>1,480</u>	<u>2,585</u>	<u>3,800</u>	<u>3,464</u>
	<u>2,749</u>	<u>5,844</u>	<u>13,416</u>	<u>15,530</u>

	Hinen-Hitech			
	As at 31 December			As at 30 June
	2004	2005	2006	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	1,269	3,259	9,262	11,444
Finished goods	<u>1,480</u>	<u>2,585</u>	<u>3,764</u>	<u>3,299</u>
	<u>2,749</u>	<u>5,844</u>	<u>13,026</u>	<u>14,743</u>

As at 31 December 2004, 2005 and 2006 and 30 June 2007, all inventories were stated at cost.

8. TRADE RECEIVABLES

	Hinen-Hitech Group and Hinen-Hitech			
	As at 31 December			As at 30 June
	2004	2005	2006	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables, net	1,218	7,038	21,626	30,519

(a) Ageing analysis of gross trade receivables at the respective balance sheet dates is as follows:

	As at 31 December			As at 30 June
	2004	2005	2006	2007
	RMB'000	RMB'000	RMB'000	RMB'000
	1 - 6 months	—	—	245
6 months - 1year	1,858	7,987	22,483	245
1 - 2 years	—	197	44	1,843
Trade receivables, gross	1,858	8,184	22,772	31,665
Less: Impairment of receivables	(640)	(1,146)	(1,146)	(1,146)
Trade receivables, net	1,218	7,038	21,626	30,519

(b) Trade receivables are all denominated in RMB.

(c) The fair values of trade receivables approximated their carrying values due to the short maturity.

(d) Most of the trade receivables are with credit terms of six months, except for retention money would be collected one year after the completion of the sales.

(e) Movement of impairment of trade receivables is as follows:

	RMB'000
At 1 January 2004	—
Additions	640
At 31 December 2004	640
Additions	506
At 31 December 2005, 2006 and 30 June 2007	1,146

9. PREPAYMENTS AND OTHER RECEIVABLES

	Hinen-Hitech Group			
	As at 31 December			As at 30 June
	2004	2005	2006	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Advances to suppliers	—	—	558	2,075
Other receivables	—	11	168	929
	—	11	726	3,004

Ageing analysis of prepayments and other receivables at the respective balance sheet dates is as follows:

	As at 31 December			As at 30 June
	2004	2005	2006	2007
	RMB'000	RMB'000	RMB'000	RMB'000
1 - 6 months	—	—	428	2,894
6 months - 1 year	—	11	103	90
1 - 2 years	—	—	195	9
2 - 3 years	—	—	—	11
Prepayments and other receivables	—	11	726	3,004
	<u>—</u>	<u>11</u>	<u>726</u>	<u>3,004</u>

Hinen-Hitech				
	As at 31 December			As at 30 June
	2004	2005	2006	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Advances to suppliers	—	—	372	510
Other receivables	—	11	120	183
	—	11	492	693
	<u>—</u>	<u>11</u>	<u>492</u>	<u>693</u>

Ageing analysis of prepayments and other receivables at the respective balance sheet dates is as follows:

	As at 31 December			As at 30 June
	2004	2005	2006	2007
	RMB'000	RMB'000	RMB'000	RMB'000
1 - 6 months	—	—	380	596
6 months - 1 year	—	11	101	77
1 - 2 years	—	—	11	9
2 - 3 years	—	—	—	11
Prepayments and other receivables	—	11	492	693
	<u>—</u>	<u>11</u>	<u>492</u>	<u>693</u>

10. CASH AND BANK

Hinen-Hitech Group				
	As at 31 December			As at 30 June
	2004	2005	2006	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and cash equivalents				
- Cash on hand	253	524	633	86
- Deposits in bank	947	1,486	2,723	9,830
	<u>1,200</u>	<u>2,010</u>	<u>3,356</u>	<u>9,916</u>

Bank deposits and cash and cash equivalents are denominated in the following currencies:

	Hinen-Hitech Group			
	As at 31 December			As at 30 June
	2004	2005	2006	2007
	RMB'000	RMB'000	RMB'000	RMB'000
RMB	1,200	2,010	3,148	7,008
US\$	—	—	208	2,908
	<u>1,200</u>	<u>2,010</u>	<u>3,356</u>	<u>9,916</u>
	Hinen-Hitech			
	As at 31 December			As at 30 June
	2004	2005	2006	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and cash equivalents				
- Cash on hand	253	524	613	66
- Deposits in bank	947	1,486	2,677	9,576
	<u>1,200</u>	<u>2,010</u>	<u>3,290</u>	<u>9,642</u>

Bank deposits and cash and cash equivalents are denominated in the following currencies:

	Hinen-Hitech			
	As at 31 December			As at 30 June
	2004	2005	2006	2007
	RMB'000	RMB'000	RMB'000	RMB'000
RMB	1,200	2,010	3,082	6,734
US\$	—	—	208	2,908
	<u>1,200</u>	<u>2,010</u>	<u>3,290</u>	<u>9,642</u>

11. EQUITY ATTRIBUTABLE TO HINEN-HITECH'S EQUITY HOLDERS

Paid-in capital

Hinen-Hitech was incorporated on 18 September 2000. The registered and fully paid-up capital of Hinen-Hitech amounted to RMB500,000. As at 31 December 2004, 2005 and 2006 and 30 June 2007, details of Hinen-Hitech's capital were as follows:

Investors	Registered and fully paid-up capital	Equity interest
	RMB'000	
Pei Bolin	333	66.66%
Li Shusheng	<u>167</u>	<u>33.34%</u>
	<u>500</u>	<u>100%</u>

Statutory reserves

Companies incorporated in the PRC shall appropriate 10% of their annual statutory net profit (after offsetting any prior years' losses) to the statutory reserve fund account in accordance with the PRC Company Law and their articles of association. When balance of such reserve fund reaches 50% of each entity's paid-in capital, any further appropriation is optional. The statutory reserve fund can be utilised to offset prior years' losses or to increase capital after proper approval. However, except for offsetting prior years' losses, such statutory reserve fund must be maintained at a minimum of 25% of share capital after such usage. No statutory reserve fund was appropriated by Hinen-Hitech during the Relevant Periods as its balance of this reserve already reached 50% of its paid-in capital as at 1 January 2004. For the year ended 31 December 2006, 10% of statutory net profit of Hinen-Hitech's subsidiary was appropriated to this reserve. This reserve is non-distributable.

12. LONG-TERM BORROWING

	Hinen-Hitech Group			
	As at 31 December			As at 30 June
	2004	2005	2006	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Secured bank borrowings				
- Guaranteed	—	—	—	1,500
	—	—	—	1,500
	=	=	=	=

As at 30 June 2007, all long-term borrowings are denominated in RMB, with an interest rate of 12.825% per annum. These long-term borrowings are guaranteed by an independent third party, Nanpi County Jixinyuan Metal Product Company Limited (南皮縣基鑫源五金製品有限責任公司), with a maturity of 2 years.

The carrying amount of the long-term borrowings at 30 June 2007 approximated its fair value based on the prevailing borrowing rates available for loans with similar terms and maturities.

The directors are of the view that there were no breaches to loan covenants during the Relevant Periods.

13. TRADE PAYABLES

All trade payables of Hinen-Hitech Group and Hinen-Hitech have an ageing of less than one year.

The fair value of trade payables approximated their carrying value due to their short maturity period.

14. ACCRUALS AND OTHER PAYABLES

	Hinen-Hitech Group			
	As at 31 December			As at 30 June
	2004	2005	2006	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Customer deposits and receipts in advance	—	—	—	1,840
Accrued expenses	—	80	—	—
Payroll and welfare payables	42	117	304	279
Other taxes payables	123	894	1,704	3,157
Others	43	45	444	300
	208	1,136	2,452	5,576
	=	=	=	=

	Hinen-Hitech			
	As at 31 December			As at 30 June
	2004	2005	2006	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Customer deposits and receipts in advance . . .	—	—	—	1,830
Accrued expenses	—	80	—	—
Payroll and welfare payables	42	117	284	234
Other taxes payables	123	894	1,629	2,960
Others	43	45	42	1
	<u>208</u>	<u>1,136</u>	<u>1,955</u>	<u>5,025</u>

15. REVENUE AND SEGMENT INFORMATION

Hinen-Hitech Group conducts its business within one business segment - the business of selling oilfield equipment and providing related services in the PRC. As the products and services provided by Hinen-Hitech Group are subject to similar business risks, no segment information has been prepared by Hinen-Hitech Group for the Relevant Periods. Hinen-Hitech Group also operates within one geographical segment because its revenues are primarily generated from and with all its assets located in the PRC. Accordingly, no geographical segment data is presented.

	Year ended 31 December			Six months ended 30 June	
	2004	2005	2006	2006	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Analysis of revenue by category					
Sales of goods	6,448	27,664	59,208	20,950	42,640
Sales of services	100	600	33	—	—
	<u>6,548</u>	<u>28,264</u>	<u>59,241</u>	<u>20,950</u>	<u>42,640</u>

16. EXPENSE BY NATURE

Operating profit is arrived at after charging the following:

	Year ended 31 December			Six months ended 30 June	
	2004	2005	2006	2006	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Material costs	3,387	14,579	23,940	6,788	19,662
Staff costs	498	1,075	2,661	948	2,149
Depreciation and amortisation	122	142	288	99	322
Provision for impairment of receivables	640	506	—	—	—
Sales tax and surcharges	60	156	262	55	16
Other expenses	<u>1,232</u>	<u>2,993</u>	<u>5,945</u>	<u>2,420</u>	<u>4,358</u>
Total cost of sales, selling, general and administrative expenses	<u>5,939</u>	<u>19,451</u>	<u>33,096</u>	<u>10,310</u>	<u>26,507</u>

17. FINANCE INCOME/(COSTS), NET

	Year ended 31 December			Six months ended 30 June	
	2004	2005	2006	2006	2007
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Interest income	3	5	21	9	4
Interest expenses on bank borrowing	—	—	—	—	(7)
Bank surcharges and others	—	(1)	(5)	(3)	(29)
	<u>3</u>	<u>4</u>	<u>16</u>	<u>6</u>	<u>(32)</u>

18. STAFF COSTS

	Year ended 31 December			Six months ended 30 June	
	2004	2005	2006	2006	2007
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Wages, salaries and allowances	472	919	2,259	948	2,008
Contributions to pension plans (a)	15	31	64	—	52
Welfare and other expenses	11	125	338	—	89
	<u>498</u>	<u>1,075</u>	<u>2,661</u>	<u>948</u>	<u>2,149</u>

Notes:

- (a) During the Relevant Periods, these represent Hinen-Hitech Group's contributions to the defined contribution pension plans organised by the respective municipal and provincial governments of the PRC at 20% of the employees' salaries depending on the applicable local regulations for Hinen-Hitech Group's employees of the PRC.

Hinen-Hitech Group has no other material obligations for the payment of pensions and other post-retirement benefits of employees or retirees other than those disclosed above.

19. INCOME TAX EXPENSE

PRC enterprise income tax ("EIT") is provided on the basis of the profits of the PRC established subsidiaries for statutory financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for income tax purposes. The statutory income tax is assessed on an individual entity basis, based on their results of operations. The commencement dates of tax holiday period of each entity are individually determined.

Pursuant to Chang Di Shui Suo Mian Zi [2000] No. 230 issued by the Changping Branch of the Local Tax Bureau of Beijing City, Hinen-Hitech has been granted a preferential EIT rate of 15% and a tax holiday of 3 years exemption, starting from its first operating year, followed by a 50% reduction of the preferential rate from the fourth to the sixth year.

Pursuant to "Certificate of Enterprise Income Tax Reduction and Exemption" (納稅人減免稅資格認定申請審批表) issued by the State Tax Bureau of Nanpi County, Hebei Province, Cangzhou Hinen-Hitech has been granted a tax holiday of 3 years exemption, starting from 2006, its first operating year.

APPENDIX II

**ACCOUNTANTS' REPORT — BEIJING HINEN-HITECH
PETROLEUM TECHNOLOGY DEVELOPMENT CO., LTD.**

The applicable EIT tax rates of Hinen-Hitech Group companies during the Relevant Periods are detailed as follows:

	Year ended 31 December			Six months ended 30 June	
	2004	2005	2006	2006	2007
				(unaudited)	
Hinen-Hitech	7.5%	7.5%	7.5%	7.5%	15.0%
Cangzhou Hinen-Hitech	N/A	N/A	—	—	—

The taxation of Hinen-Hitech Group's profit before tax differs from the theoretical amount that would arise using the statutory tax rate of 33% in the PRC as follows:

	Year ended 31 December			Six months ended 30 June	
	2004	2005	2006	2006	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Profit before income tax	<u>612</u>	<u>8,817</u>	<u>26,161</u>	<u>10,646</u>	<u>16,101</u>
Tax calculated at PRC statutory tax rate 33%	202	2,910	8,633	3,513	5,313
Preferential tax rates and tax exemption on the income of the subsidiary	(156)	(2,248)	(6,694)	(2,715)	(3,090)
Expenses not deductible for taxation purposes	—	94	—	—	4
Income tax expense	<u>46</u>	<u>756</u>	<u>1,939</u>	<u>798</u>	<u>2,227</u>

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "new CIT Law"), which is effective from 1 January 2008. According to the new CIT Law, both domestic and foreign invested enterprises will be subject to a single income tax rate of 25%.

As of the date of this report, detailed measures of the new CIT Law have yet to be issued, specific provisions concerning the applicable income tax rates, computation of taxable income, as well as specific preferential tax treatments and their related transitional provisions for the periods from 2008 and onwards have not been clarified. Consequently, Hinen-Hitech Group is not in a position to reasonably assess the applicable income tax rates to its PRC subsidiaries when the new CIT Law becomes effective.

20. EMOLUMENTS OF DIRECTORS, SUPERVISORS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Details of the emoluments of the directors of Hinen-Hitech (the "Directors") are as follows:

Directors	For the year ended 31 December 2004				
	Fees	Basic Salaries and Allowances	Bonus	Retirement benefits and others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Pei Bolin	—	11	—	—	11
Li Shusheng	—	11	—	—	11
	—	22	—	—	22
	<u>—</u>	<u>22</u>	<u>—</u>	<u>—</u>	<u>22</u>

For the year ended 31 December 2005

Directors	Fees	Basic Salaries and Allowances	Bonus	Retirement benefits and others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Pei Bolin	—	22	—	—	22
Li Shusheng	—	22	—	—	22
	—	44	—	—	44
	==	==	==	==	==

For the year ended 31 December 2006

Directors	Fees	Basic Salaries and Allowances	Bonus	Retirement benefits and others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Pei Bolin	—	44	—	—	44
Li Shusheng	—	48	—	4	52
	—	92	—	4	96
	==	==	==	==	==

For six months ended 30 June 2006 (unaudited)

Directors	Fees	Basic Salaries and Allowances	Bonus	Retirement benefits and others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Pei Bolin	—	22	—	—	22
Li Shusheng	—	24	—	2	26
	—	46	—	2	48
	==	==	==	==	==

For six months ended 30 June 2007

Directors	Fees	Basic Salaries and Allowances	Bonus	Retirement benefits and others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Pei Bolin	—	16	—	—	16
Li Shusheng	—	27	—	2	29
	—	43	—	2	45
	==	==	==	==	==

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in Hinen-Hitech Group during the Relevant Periods are as follows:

	Year ended 31 December			Six months ended 30 June	
	2004	2005	2006	2006	2007
				(unaudited)	
Directors	2	2	2	2	1
Non-director individuals	3	3	3	3	4
	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>

The details of emoluments paid to five highest paid individuals who were directors of Hinen-Hitech during the Relevant Periods have been included in Note 20 (a) above. Details of emoluments paid to the remaining non-director individuals are as follows:

	Year ended 31 December			Six months ended 30 June	
	2004	2005	2006	2006	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Salaries and allowances	37	79	149	75	82
Contributions to pension schemes	2	15	26	13	—
	<u>39</u>	<u>94</u>	<u>175</u>	<u>88</u>	<u>82</u>

21. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENTS

(a) Reconciliation of profit for the year/period to net cash inflows generated from operations:

	Year ended 31 December			Six months ended 30 June	
	2004	2005	2006	2006	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Profit for the year / period	566	8,061	24,222	9,848	13,874
Adjustments for:					
- depreciation charge					
(Note 5)	122	142	288	99	322
Provision for impairment of receivables (Note 16)	640	506	—	—	—
Interest expenses on bank borrowing (Note 17)	—	—	—	—	7
Income tax expense (Note 19)	46	756	1,939	798	2,227
Changes in working capital:					
Inventories	(1,330)	(3,095)	(7,572)	(2,754)	(2,114)
Trade receivables	(402)	(6,326)	(14,588)	(5,783)	(8,893)
Prepayments and other receivables	—	(11)	(715)	(515)	(2,278)
Trade payables	550	644	986	(1,030)	1,368
Accruals and other payables	110	928	1,316	3,184	3,124
Net cash inflows from operations	<u>302</u>	<u>1,605</u>	<u>5,876</u>	<u>3,847</u>	<u>7,637</u>

22. COMMITMENTS

Operating lease commitments — where Hinen-Hitech Group is the leasee:

Hinen-Hitech Group leases various offices and warehouses under non-cancellable operating lease agreements. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at 31 December			As at 30 June
	2004	2005	2006	2007
	RMB'000	RMB'000	RMB'000	RMB'000
No later than 1 year	175	475	418	475
Later than 1 year and no later than 5 years . . .	131	1,374	1,486	1,536
Later than 5 years	—	859	515	343
	<u>306</u>	<u>2,708</u>	<u>2,419</u>	<u>2,354</u>

23. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control. Members of key management and their close family member of Hinen-Hitech Group are also considered as related parties.

- (a) The following companies and persons are related parties of Hinen-Hitech Group during the Relevant Periods:

Names of related parties	Nature of relationship
Pei Bolin	Controlling equity holder of Hinen-Hitech
Li Shusheng	Investor of Hinen-Hitech
Beijing Huarme Petroleum Technology Co., Ltd. (北京華瑞美爾石油科技發展有限公司, “Beijing Huarme”)	Controlled by the same ultimate controlling shareholder

- (b) Transactions with related parties

During the year ended 31 December 2006 and six months ended 30 June 2007, Hinen-Hitech's sales to Beijing Huarme amounted to RMB322,000 and RMB231,000, respectively.

- (c) Balances with related parties

During the Track Record Period, there were no material balances with related parties.

24. SUBSEQUENT EVENTS

On 5 November 2007, Anton Oilfield Services (Group) Limited acquired 100% of the equity interest of Hinen-Hitech and became the sole equity holder of Hinen-Hitech.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for Hinen-Hitech or its subsidiary in respect of any period subsequent to 30 June 2007 and up to the date of this report. Save as disclosed in this report, no dividend or other distribution has been declared, made or paid by Hinen-Hitech or its subsidiary in respect of any period subsequent to 30 June 2007.

Yours faithfully,
PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

The information set forth in this Appendix III does not form part of the Accountants' Report prepared by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set out in Appendix I and II to this Prospectus, and is included herein for information only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this Prospectus and the Accountants' Report set out in Appendix I and II to this Prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following statement of unaudited pro forma adjusted net tangible assets of the Group which has been prepared in accordance with rule 4.29 of the Listing Rules and on the basis set out below is for illustrative purposes only, and is set out here to illustrate the effect of the Global Offering on the combined net tangible assets of the Group as at 30 June 2007 as if it had been taken place on 30 June 2007.

The unaudited pro forma adjusted net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Global Offering been completed as at 30 June 2007 as at any future dates.

	Audited combined net tangible assets of the Group attributable to equity holders of the Company as at 30 June 2007 <i>(Note 1)</i>	Estimated net proceeds from the Global Offering <i>(Note 2)</i>	Unaudited pro forma adjusted net tangible assets	Unaudited pro forma adjusted net tangible assets per Share	
	RMB'000	RMB'000	RMB'000	RMB	HK\$
Based on the Offer Price of HK\$1.80 per Share	342,594	833,000	1,175,594	0.57	0.60
Based on the Offer Price of HK\$2.40 per Share	342,594	1,121,000	1,463,594	0.71	0.75

Notes:

- (1) The audited combined net tangible assets of the Group attributable to the equity holders of the Company as at 30 June 2007 is based on the audited combined net assets of the Group attributable to the equity holders of the Company as at 30 June 2007 of RMB345,231,000 with an adjustment for the intangible assets as of 30 June 2007 of RMB2,637,000, which are extracted from the Accountants' Report of our Company set out in Appendix I to the Prospectus.
- (2) The estimated net proceeds from the Global Offering are based on the Offer Price of HK\$1.80 (equivalent to RMB1.71) and HK\$2.40 (equivalent to RMB2.29) per Share, respectively, after deduction of estimated underwriting fees (excluding any incentive fee that may be paid by the Company) and other related expenses and takes no accounts of any Shares which may be issued upon the exercise of the Over-allotment Option or the Pre-IPO Share Option. If the Over-allotment Option is exercised, the unaudited pro forma adjusted net tangible assets attributable to the equity holders of the Company and unaudited pro forma adjusted net tangible assets per Share will increase. We may pay a discretionary incentive fee. The unaudited pro forma adjusted net tangible assets and the unaudited net tangible assets per Share would be reduced if we decide to pay such incentive fee.

- (3) As of 30 September 2007, the Group's properties were revalued by Savills Valuation and Professional Services Limited, an independent property valuer, and the relevant property valuation report is set out in Appendix V — Property Valuation to this Prospectus. The net valuation surplus, representing the excess of market value of the properties over their carrying value amounting to RMB211.1 million, has not been included in the Group's combined financial information as at 30 June 2007. The above adjustment does not take into account the above revaluation surplus. Had the properties been stated at such valuation, an additional depreciation and amortisation of RMB5.2 million per annum in respect of the revaluation surplus, before income taxes, would be charged against the combine income statement.
- (4) The unaudited pro forma adjusted net tangible assets per Share is determined after the adjustments as described in note 2 above and on the basis that 2,067,250,000 Shares are issued and outstanding during the entire year, but takes no account of any shares which may be issued upon the exercise of the Over-allotment or the Pre-IPO Share Option.
- (5) For the purpose of this unaudited pro forma adjusted net tangible assets statement, the balances stated in Renminbi are converted into Hong Kong dollars at the PBOC rate of HK\$1.00 to RMB0.9526 prevailing on 21 November 2007.
- (6) The unaudited pro forma adjusted net tangible assets does not take into account the effect of the proposed acquisition of 100% equity interest in Beijing Hinen-Hitech Petroleum Technology Development Co., Ltd.. Details of the financial effect of the proposed acquisition are set out in the section headed "C. Unaudited Pro Forma Financial Information on the Enlarged Group" below.
- (7) The unaudited pro forma net tangible assets does not take into account the effect of the additional capital injection from Anton Holdings, amounting to approximately RMB115,742,000 to the Group in September 2007.
- (8) No adjustment has been made to the unaudited pro forma adjusted net tangible assets of the Group to reflect any trading result or other transactions of the Group entered into subsequent to 30 June 2007.

B. UNAUDITED PRO FORMA FORECAST EARNINGS PER SHARE

The following unaudited pro forma forecast earnings per Share for the year ending 31 December 2007 has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Global Offering as if it had taken place on 1 January 2007. This unaudited pro forma forecast earnings per Share has been prepared for illustrative purpose only and, because of its hypothetical nature, it may not give a true picture of the financial results of the Group had the Global Offering been completed at 1 January 2007 or at any future dates.

Forecast consolidated profit attributable to equity holder of the Company for the year ending 31 December 2007	not less than RMB110.60 million (approximately HK\$116.10 million)
Unaudited pro forma forecast basic earnings per Share (<i>Note (2)</i>)	not less than RMB0.05 (approximately HK\$0.05)
Unaudited pro forma forecast fully diluted earnings per Share (<i>Note (3)</i>)	not less than RMB0.05 (approximately HK\$0.05)

Notes:

- (1) The forecast consolidated profit attributable to equity holders of the Company for the year ending 31 December 2007 is extracted from the section headed "Financial Information — Profit Forecast" in this Prospectus. The bases and assumptions on which the above profit forecast for the year ending 31 December 2007 has been prepared are summarised in Appendix IV to this Prospectus.
The forecast consolidated net profits attributable to equity holders of the Company for the year ending 31 December 2007 is based on the audited combined net result for the six months ended 30 June 2007, the Group's unaudited combined management accounts for the three months ended 30 September 2007 and a forecast of the consolidated results of the Group for the remaining three months ending 31 December 2007. The forecast has been prepared on the basis of accounting policies being consistent in all material respects with those currently adopted by the Group as set out in Note 3 of Section II of the Accountants' Report contained in Appendix I to this Prospectus.

- (2) The calculation of the unaudited pro forma forecast basic earnings per share is based on the forecast consolidated profit attributable to equity holders of the Company for the year ending 31 December 2007 assuming that the Global Offering and the Capitalisation Issue were completed on 1 January 2007 and a total of 2,067,250,000 shares were in issue during the entire year. This calculation has not taken into account any Shares which may be issued upon the exercise of Over-allotment Option or the Pre-IPO Share Option.
- (3) The calculation of the unaudited pro forma forecast fully diluted earnings per Share is based on the forecast consolidated profit attributable to equity holders of the Company for the year ending 31 December 2007, assuming that the Global Offering and the Capitalisation Issue were completed on 1 January 2007 and after taking into account the Pre-IPO Share Option Scheme but taking no account of any Shares which may be issued upon the exercise of the Over-allotment Option. This calculation has been prepared on the bases that the proceed from the exercise of the Pre-IPO Share Options is nil and has not considered the impact of fair value of the Shares on computation of number of dilutive potential Shares.
- (4) For the purpose of this unaudited pro forma forecast earnings per Share, the amount stated in Renminbi are converted into Hong Kong dollars at the PBOC rate of HK\$1.00 to RMB0.9526 prevailing on 21 November 2007.

C. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is an illustrative and pro forma balance sheet, income statement and cash flow statement of the Group and Beijing Hinen-Hitech Petroleum Technology Development Co., Ltd. and its subsidiary (“Hinen-Hitech Group”) (collectively referred to as the “Enlarged Group”) which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the acquisition of Hinen-Hitech Group (the “Acquisition”) as if it had taken place on 30 June 2007 for the pro forma balance sheet and 1 January 2007 for the pro forma income statement and cash flow statement. The pro forma financial information has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position and financial results of the Enlarged Group had the Acquisition been completed as at 30 June 2007 and 1 January 2007 respectively or at any future date.

1. Unaudited pro forma balance sheet of the Enlarged Group as at 30 June 2007

	Combined balance sheet of the Group as at 30 June 2007 (note 1)	Pro forma adjustments		Note	Unaudited pro forma balance sheet of the Enlarged Group as at 30 June 2007
		Consolidated balance sheet of Hinen-Hitech Group as at 30 June 2007 (note 2)	Other pro forma adjustments		
	RMB'000	RMB'000	RMB'000		RMB'000
ASSETS					
Non-current assets					
Property, plant and equipment	111,809	6,136	2,315	(4),(5)	120,260
Land use rights	13,259	—	—		13,259
Intangible assets	2,637	—	20,545	(4),(5)	23,182
Goodwill	—	—	80,841	(4),(5)	80,841
	<u>127,705</u>	<u>6,136</u>			<u>237,542</u>
Current assets					
Inventories	39,811	15,530	860	(4),(5)	56,201
Trade and notes receivables	247,068	30,519	—		277,587
Prepayments and other receivables	75,308	3,004	—		78,312
Cash and cash equivalents	35,183	9,916	(31,000)	(3)	14,099
	<u>397,370</u>	<u>58,969</u>			<u>426,199</u>
Total assets	<u>525,075</u>	<u>65,105</u>			<u>663,741</u>
EQUITY					
Equity attributable to the Company's equity holders	345,231	50,054	(50,054)	(4),(5)	345,231
Minority interests	2,157	1,690	—		3,847
Total equity	<u>347,388</u>	<u>51,744</u>			<u>349,078</u>
LIABILITIES					
Long-term borrowings	—	1,500	—		1,500
Other long-term payables	—	—	37,500	(3)	37,500
Deferred tax liability	—	—	5,615	(4),(5)	5,615
	<u>—</u>	<u>1,500</u>			<u>44,615</u>
Current liabilities					
Short-term borrowings	116,687	—	—		116,687
Trade payables	21,709	3,872	—		25,581
Accruals and other payables	35,727	5,576	80,500	(3)	121,803
Current income tax liabilities	3,564	2,413	—		5,977
	<u>177,687</u>	<u>11,861</u>			<u>270,048</u>
Total liabilities	<u>177,687</u>	<u>13,361</u>			<u>314,663</u>
Total equity and liabilities	<u>525,075</u>	<u>65,105</u>			<u>663,741</u>

2. Unaudited pro forma income statement of the Enlarged Group for the six months ended 30 June 2007

	Pro forma adjustments			Note	Unaudited pro forma income statement of the Enlarged Group for the six months ended 30 June 2007
	Combined income statement of the Group for the six months ended 30 June 2007 (note 1)	Consolidated income statement of Hinen-Hitech Group for the six months ended 30 June 2007 (note 2)	Other pro forma adjustments		
	RMB'000	RMB'000	RMB'000		RMB'000
Revenue	174,020	42,640	(2,947)	(6)	213,713
Other income, net	266	—	—		266
Operating costs					
Material costs	(75,624)	(19,662)	2,947	(6)	(92,339)
Staff costs	(15,485)	(2,149)	—		(17,634)
Operating lease expenses . . .	(5,239)	—	—		(5,239)
Depreciation and amortisation	(3,967)	(322)	(2,111)	(7)	(6,400)
Others	<u>(27,048)</u>	<u>(4,374)</u>	—		<u>(31,422)</u>
	<u>(127,363)</u>	<u>(26,507)</u>			<u>(153,034)</u>
Operating profit	<u>46,923</u>	<u>16,133</u>			<u>60,945</u>
Interest income	2,716	4	—		2,720
Finance expenses	<u>(4,232)</u>	<u>(36)</u>	—		<u>(4,268)</u>
Finance costs, net	<u>(1,516)</u>	<u>(32)</u>			<u>(1,548)</u>
Profit before income tax	45,407	16,101			59,397
Income tax expense	<u>(3,772)</u>	<u>(2,227)</u>	425	(7)	<u>(5,574)</u>
Profit for the period	<u><u>41,635</u></u>	<u><u>13,874</u></u>			<u><u>53,823</u></u>
Attributable to:					
Equity holders of the Company	42,352	13,447			54,113
Minority interests	<u>(717)</u>	<u>427</u>			<u>(290)</u>
	<u><u>41,635</u></u>	<u><u>13,874</u></u>			<u><u>53,823</u></u>

3. Unaudited pro forma cash flow statement of the Enlarged Group for the six months ended 30 June 2007

	Combined cash flow statement of the Group for the six months ended 30 June 2007 (note 1) <u>RMB'000</u>	Pro forma adjustments		Note	Unaudited pro forma cash flow statement of the Enlarged Group for the six months ended 30 June 2007 <u>RMB'000</u>
		Consolidated cash flow statement of Hinen-Hitech Group for the six months ended 30 June 2007 (note 2) <u>RMB'000</u>	Other pro forma adjustments <u>RMB'000</u>		
Cash flows from operating activities					
Net cash inflows / (outflows)					
from operations	(31,345)	7,637	—		(23,708)
Interest paid	(2,359)	(7)	—		(2,366)
Interest received	2,716	—	—		2,716
Income tax paid	(4,472)	(1,153)	—		(5,625)
Net cash generated from / (used in) operating activities	<u>(35,460)</u>	<u>6,477</u>			<u>(28,983)</u>
Cash flows from investing activities					
Purchases of property, plant and equipment	(53,598)	(1,417)	—		(55,015)
Proceeds from disposal of property, plant and equipment	34	—	—		34
Net cash outflows on acquisition of Hinen-Hitech Group	—	—	(27,644)	(8)	(27,644)
Purchase of intangible assets	(2,637)	—	—		(2,637)
Decrease in restricted bank deposits	85,896	—	—		85,896
Net cash generated from/(used in) investing activities	<u>29,695</u>	<u>(1,417)</u>			<u>634</u>
Cash flows from financing activities					
Proceeds from long-term borrowings	—	1,500	—		1,500
Proceeds from short-term borrowings	66,000	—	—		66,000
Repayments of short-term borrowings	(70,000)	—	—		(70,000)
Net cash (used in) / generated from financing activities	<u>(4,000)</u>	<u>1,500</u>			<u>(2,500)</u>
Net increase/(decrease) in cash and cash equivalents					
Cash and cash equivalents, at beginning of the period	46,137	3,356	(3,356)	(8)	46,137
Exchange loss on cash and cash equivalents	(1,189)	—	—		(1,189)
Cash and cash equivalents at end of the period	<u><u>35,183</u></u>	<u><u>9,916</u></u>			<u><u>14,099</u></u>

Notes:

1. The amounts are extracted from the Accountants' Report of the Company as set out in Appendix I to this Prospectus.
2. The amounts are extracted from the Accountants' Report of Hinen-Hitech Group as set out in Appendix II to this Prospectus.

3. The adjustment represents the settlement of consideration for the Acquisition by cash of RMB31,000,000 plus RMB80,500,000 payable within 1 year and RMB37,500,000 payable between 1 to 2 years.

4. Upon completion of the Acquisition, the identifiable assets and liabilities of Hinen-Hitech Group were accounted for in the combined financial statements of the Group at fair value under the purchase method of accounting in accordance with International Financial Reporting Standard 3 “Business Combination”(“IFRS 3”).

For the purpose of the unaudited pro forma balance sheet of the Enlarged Group, the property, plant and equipment, intangible assets and inventories of Hinen-Hitech Group as at 30 June 2007 are stated at their fair values of RMB8,451,000, RMB20,545,000 and RMB16,390,000 as at 30 September 2007, which is estimated by the Directors with reference to the valuation reports issued by Savills Valuation and Professional Services Limited. According to the relevant tax rules and regulations, the original carrying amounts of the property, plant and equipment, intangible assets and inventories will continue to serve as the tax base for future years. Accordingly, an increase in deferred tax liabilities of RMB5,615,000 is included in the unaudited pro forma balance sheet of the Enlarged Group as at 30 June 2007 as a result of the aforesaid fair value adjustments. The amount of the cost of acquisition in excess of the Group’s share of fair value of the net identifiable assets of Hinen-Hitech Group is reflected as goodwill in the unaudited pro forma balance sheet of the Enlarged Group. The carrying amount of Hinen-Hitech Group’s equity as at 30 June 2007 is reversed in the adjustments to owner’s equity in the unaudited pro forma balance sheet of the Enlarged Group.

5. The Group is required under IFRS 3 to recognise Hinen-Hitech Group’s identifiable assets and liabilities at their fair values as at the date of the completion of the Acquisition. Since the fair values of the identifiable assets and liabilities of Hinen-Hitech Group at the date of completion of the Acquisition may be different from the fair values used in the preparation of the above unaudited pro forma balance sheet of the Enlarged Group, the actual amount of goodwill, if any, maybe different from the estimated amount shown in this Appendix.

6. The adjustment represents the transactions between the Group and the Hinen-Hitech Group for the six months ended 30 June 2007, which are to be eliminated assuming the Acquisition had been completed at 1 January 2007. This adjustment is expected to have a continuing effect.

7. The adjustment represents the additional depreciation and amortisation expenses and deferred income tax benefit arising from the fair value adjustment on the property, plant and equipment, intangible assets and the release of deferred income tax liabilities of Hinen-Hitech Group assuming the Acquisition had been completed at 1 January 2007. This adjustment is expected to have a continuing effect.

8. The adjustment represents the cash consideration of RMB31,000,000 less the cash and cash equivalent in Hinen-Hitech Group acquired amounted to RMB3,356,000 as of 1 January 2007.

9. The unaudited pro forma financial information of the Enlarged Group does not take into account the effect of the additional capital injection from Anton Holdings, amounting to approximately RMB115,742,000 to the Group in September 2007.

10. Apart from the above-mentioned adjustments in respect of the Acquisition, no adjustments have been made to reflect any operating results or other transactions of the Group and Hinen-Hitech Group entered into subsequent to 30 June 2007 for pro forma information.

D. REPORT FROM THE REPORTING ACCOUNTANTS ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purposes of incorporation in this Prospectus.



羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

REPORT FROM ACCOUNTANTS ON UNAUDITED PRO FORMA FINANCIAL INFORMATION TO THE DIRECTORS OF ANTON OILFIELD SERVICES GROUP

We report on the unaudited pro forma financial information of Anton Oilfield Services Group (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) set out on pages III-1 to III-7 under the headings of “Unaudited Pro Forma Statement of Adjusted Net Tangible Assets”, “Unaudited Pro Forma Forecast Earnings per Share” and “Unaudited Pro Forma Financial Information of the Enlarged Group” (the “Unaudited Pro Forma Financial Information”) in Appendix III of the Company’s prospectus dated 3 December 2007 (the “Prospectus”), in connection with the proposed initial public offering of the shares of the Company. The Unaudited Pro Forma Financial Information has been prepared by the directors of Company, for illustrative purposes only, to provide information about how the proposed initial public offering and the acquisition of Beijing Hinen-Hitech Petroleum Technology Development Co., Ltd. might have affected the relevant financial information of the Group, respectively. The basis of preparation of the Unaudited Pro Forma Financial Information is set out on pages III-1 to III-7 of the Prospectus.

Respective Responsibilities of Directors of the Company and Reporting Accountants

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

It is our responsibility to form an opinion, as required by rule 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the HKICPA. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the audited combined net assets of the Group as at 30 June 2007, audited combined balance sheets of the Group as at 30 June 2007 and audited combined income statements and cash flow statements for the six months ended 30 June 2007, and unaudited forecast profit attributable to equity holders of the Company for the year ending 31 December 2007 with the accountant’s report of the Group as set out in Appendix I of the Prospectus and profit forecast as set out in the section headed “Financial Information” in the Prospectus, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to rule 4.29(1) of the Listing Rules.

Our work has not been carried out in accordance with auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

The Unaudited Pro Forma Financial Information is for illustrative purpose only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of :

- the financial position of the Group as at 30 June 2007 or any future date, or
- the results and cash flows of the Group for the six months ended 30 June 2007 and earnings per share of the Group for the year ending 31 December 2007 or any future periods.

Opinion

In our opinion:

- a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- b) such basis is consistent with the accounting policies of the Group; and
- c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to rule 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 3 December 2007

Our forecast consolidated profit attributable to equity holders of our Company for the year ending 31 December 2007 is set out in the section headed “Financial Information — Profit Forecast” in this prospectus.

A. BASES AND ASSUMPTIONS

Our directors have prepared the forecast of the consolidated profit attributable to our equity holders for the year ending 31 December 2007, based on the audited combined results of the Group for the six months ended 30 June 2007, the unaudited combined results based on management accounts of the Group for the three months ended 30 September 2007 and a forecast of the consolidated results of the Group for the remaining three months ending 31 December 2007. The forecast has been prepared on a basis consistent in all material respects with the accounting policies currently adopted by our Group as summarised in the Accountants’ Report of our Company as set out in Appendix I of this prospectus. The profit forecast has been prepared on the following principal bases and assumptions:

- There will be no material changes in the existing political, legal, fiscal, market or economic conditions in the PRC or any other countries or territories in which the Group currently operates or which are otherwise material to the Group’s businesses;
- There will be no changes in legislation, regulations or rules in the PRC or any other countries or territories in which the Group operates or with which the Group has arrangements or agreements, which may materially adversely affect the Group’s business or operations;
- There will be no material changes in inflation rates, interest rates or foreign exchange rates from those currently prevailing in the context of the Group’s operations;
- There will be no material changes in the bases or applicable rates of taxation, surcharges or other government levies in the countries or territories in which the Group operates, except as otherwise disclosed in this Prospectus;
- There will be no wars, military incidents, pandemic diseases or natural disasters that would have a material impact on the Group’s business and operating activities;
- The Group’s operations will not be adversely affected by occurrences such as labour shortages and disputes, or any other factors outside the control of its management. In addition, the Group will be able to recruit enough employees to meet its operating requirements during the forecast period;
- The PRC Government will continue to adopt a moderate macroeconomic and monetary policies similar to those of 2006, in order to maintain a consistent rate of economic growth;
- There will be no material changes in prices of major materials of the Group’s products and the market price of oil and gas that will have a material adverse effect on the Group’s business; and
- It is assumed that the Group’s operations, results, and financial position will not be adversely affected by the occurrence of any of the events described in the risk factors as mentioned in the Prospectus.

B. LETTER FROM THE REPORTING ACCOUNTANTS ON THE PROFIT FORECAST

The following is the text of a letter received from the reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, in respect of the forecast of the consolidated profit attributable to our equity holders for the year ending 31 December 2007, for the purpose of incorporation in this prospectus.

PRICEWATERHOUSECOOPERS 

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

The Directors
Anton Oilfield Services Group

Credit Suisse (Hong Kong) Limited
J.P. Morgan Securities (Asia Pacific) Limited

3 December 2007

Dear Sirs

We have reviewed the calculations of and accounting policies adopted in arriving at the forecast of consolidated profit attributable to equity holders of Anton Oilfield Services Group (the “Company”) for the year ending 31 December 2007 (the “Profit Forecast”) as set out in the subsection headed “Profit forecast” in the section headed “Financial information” in the prospectus of the Company dated 3 December 2007 (the “Prospectus”).

We conducted our work in accordance with the Auditing Guideline 3.341 on “Accountants’ report on profit forecasts” issued by the Hong Kong Institute of Certified Public Accountants.

The Profit Forecast, for which the directors of the Company are solely responsible, has been prepared by them based on the audited combined results of the Company and its subsidiaries (hereinafter collectively referred to as “the Group”) for the six months ended 30 June 2007, the unaudited combined results based on management accounts for the three months ended 30 September 2007 and a forecast of the consolidated results of the Group for the remaining three months ending 31 December 2007.

In our opinion, the Profit Forecast, so far as the calculation and accounting policies are concerned, has been properly compiled in accordance with the bases and assumptions made by the directors of the Company as set out on page IV-1 of the Prospectus, and is presented on a basis consistent in all material respects with the accounting policies presently adopted by the Group as set out in note 3 of Section II of our accountants’ report of the Group dated 3 December 2007, the text of which is set out in Appendix I of the Prospectus.

Yours faithfully
PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

C. LETTER FROM THE JOINT SPONSORS

The following is the text of a letter, prepared for inclusion in this prospectus, we have received from Credit Suisse (Hong Kong) Limited and J.P. Morgan Securities (Asia Pacific) Limited, our Joint Sponsors, in connection with the forecast of the consolidated profit attributable to our equity holders for the year ending December 31, 2007.

Credit Suisse (Hong Kong) Limited
45/F, Two Exchange Square
8 Connaught Place, Central
Hong Kong

J.P. Morgan Securities (Asia Pacific) Limited
28th Floor, Chater House
8 Connaught Road
Central
Hong Kong

December 3, 2007

The Directors
Anton Oilfield Services Group

Dear Sirs

We refer to the forecast of the consolidated net profit attributable to equity holders of Anton Oilfield Services Group (the “**Company**”) for the year ending December 31, 2007 (the “**Profit Forecast**”) as set out in the prospectus issued by the Company dated December 3, 2007 (the “**Prospectus**”).

We understand that the Profit Forecast has been prepared by the directors of the Company based on the audited results of the Company and its subsidiaries (hereinafter collectively referred to as the “**Group**”) for the six months ended June 30, 2007, the unaudited combined results based on management accounts for the three months ended September 30, 2007, a forecast of the consolidated results of the Group for the remaining three months ending December 31, 2007.

We have discussed with you the bases and assumptions made by the directors of the Company as set out in Appendix IV to the Prospectus upon which the Profit Forecast has been made. We have also considered the letter dated December 3, 2007 addressed to yourselves and ourselves from PricewaterhouseCoopers regarding the accounting policies and calculations upon which the Profit Forecast has been made.

On the basis of the information comprising the Profit Forecast and on the basis of the accounting policies and calculations adopted by you and reviewed by PricewaterhouseCoopers, we are of the opinion that the Profit Forecast, for which you as directors of the Company are solely responsible, has been made after due and careful enquiry.

Yours faithfully,

For and on behalf of
Credit Suisse (Hong Kong) Limited

Paul Su
Managing Director

For and on behalf of
J.P. Morgan Securities (Asia Pacific) Limited

Charles Li
Managing Director

The following is the text of a letter, summary of values and valuation certificate, prepared for inclusion in this prospectus, received from Savills Valuation and Professional Services Limited, an independent valuer, in connection with their valuations as of 30 September 2007 of the properties of the Group.



T: (852) 2801 6100
F: (852) 2530 0756

The Directors
Anton Oilfield Services Group
3rd Floor, Lijingmingmen No.5 East Road
Huajiadi Chaoyang District,
Beijing PRC

23/F Two Exchange Square
Central, Hong Kong

EA LICENCE: C-023750
savills.com

December 3, 2007

Dear Sirs

In accordance with your instructions for us to value the properties situated in the People's Republic of China (the "PRC") in which Anton Oilfield Services Group (the "Company") and its subsidiaries (hereinafter referred to as the "Group") have interests, we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of values of such property interests as at 30 September 2007 for the purpose of incorporation in an Initial Public Offering Document.

Our valuation of each of the properties is our opinion of its market value which we would define as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

The market value is the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, joint ventures, management agreements, special considerations or concessions granted by anyone associated with the sale, or any element of special value. The market value of a property is also estimated without regard to costs of sale and purchase, and without offset for any associated taxes.

In the course of our valuation of the properties in the PRC, unless otherwise stated, we have assumed that transferable land use rights of the properties for their respective specific terms at nominal annual land use fees have been granted and that any land grant premium payable has already been fully paid. We have

relied on the information regarding the title to each of the properties. In valuing the properties, unless otherwise stated, we have assumed that the Group have enforceable titles to the properties and has free and uninterrupted right to use, occupy or assign the properties for the whole of the respective unexpired terms as granted.

In valuing the property in Group I, which is held by the Group for owner occupation, due to the specific purposes for which the buildings and structures of the property were constructed, there are no readily identifiable market comparables. Thus the buildings and structures cannot be valued on the basis of direct comparison. They have therefore been valued on the basis of their depreciated replacement cost. We would define “depreciated replacement cost” for these purposes to be our opinion of the land value in its existing use and an estimate of the new replacement costs of the buildings and structures, including professional fees and finance charges, from which deductions are then made to allow for age, physical and functional obsolescence. The depreciated replacement cost approach generally provides the most reliable indication of value for property in the absence of a known market based on comparable sales.

For properties in Group II, which are held under development by the Group, we have valued the properties on the basis that they will be developed and completed in accordance with the Group’s latest development proposals provided to us. We have assumed that all consents, approvals and licences from relevant government authorities for these proposals have been obtained. In arriving at our opinion of values, depending on the nature of the properties, we have valued them by adopting the depreciated replacement cost approach.

For properties in Group III, which are leased and occupied by the Group, we have assigned no commercial values to these properties due to the prohibition against assignment or sub-letting or otherwise due to the lack of profit rent and/or the short term nature of the respective leases.

We have been provided with extracts of documents in relation to the titles to the properties. However, we have not inspected the original documents to ascertain any amendments which may not appear on the copies handed to us. In the course of our valuation, we have relied to a very considerable extent on the information given by the Group and its PRC’s legal adviser, Tian Yuan Law Firm, on PRC laws, regarding the titles to the properties. We have also accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, particulars of occupancy, development proposals, estimated construction costs, estimated completion dates, site and floor areas and all relevant matters. Dimensions, measurements and areas included in the valuation certificate are based on the information provided to us and are therefore only approximations. No on-site measurements have been taken. We have no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuation. We were also advised by the Group that no material facts have been omitted from the information provided. We consider that we have been provided with sufficient information to reach an informed view.

We have inspected the exterior and, where possible the interior of the properties. During the course of our inspection, we did not note any serious defects. However, no structural survey has been made and we are therefore unable to report whether the properties are free from rot, infestation or any other defects. No tests were carried out on any of the services. We have also not carried out investigations on site to determine the suitability of the ground conditions and the services etc., for future development. Our valuation is prepared on the assumption that these aspects are satisfactory and no extraordinary expenses or delay will be incurred during the development period.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on any property or for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

In preparing our valuation report, we have complied with the requirements set out in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and the Valuation Standards on Properties (First Edition 2005) published by the Hong Kong Institute of Surveyors.

Unless otherwise stated, all money amounts are stated in Renminbi.

We enclose herewith our summary of values and valuation certificate.

Yours faithfully
For and on behalf of
Savills Valuation and Professional Services Limited

Charles C K Chan
MSc FRICS FHKIS MCI Arb RPS(GP)
Managing Director

Note: Charles C K Chan, MSc, FRICS, FHKIS, MCI Arb, RPS (GP), has been a qualified valuer and has about 23 years' experience in the valuation of properties in Hong Kong and has about 18 years' experience in the valuation of properties in the PRC.

SUMMARY OF VALUES

Group I — Property held by the Group for owner occupation in the PRC

No. Property	Capital value in existing state as at 30 September 2007
1. Various buildings and structures located at East Development Zone, No. 341 National Highway, Luntai County, Ba Yinguoleng Mongolia Autonomous Prefecture, Xinjiang Uygur Autonomous Region, PRC	RMB28,730,000
Sub-total	RMB28,730,000

Group II — Properties held under development by the Group in the PRC

2. An industrial complex located at No. 9 Yongle Street, Yanxi Economical Development Zone, Huairou District, Beijing, PRC	RMB34,070,000
3. Two industrial buildings located at Development Zone, South of Jingyi Road, West of Weiqi Road, East of No. 218 Ancillary Road and North of Jinger Road, Korla, Xinjiang Uygur Autonomous Region, PRC	RMB200,190,000
Sub-total	RMB234,260,000

No. Property	Capital value in existing state as at 30 September 2007
Group III — Properties leased and occupied by the Group in the PRC	
4. Rooms 301, 302, 303, 305, 306 and 307 on Level 3, Room 605 on Level 6 and Room 1107 on Level 11, Lijingmingmen Building, No. 5 Huajiadi East Road, Chaoyang District, Beijing, PRC	No commercial value
5. Room 316 on Level 3, Guobin Building, No. 21 Jiuxian Qiao Road, Chaoyang District, Beijing, PRC	No commercial value
6. A factory building, No. 5 Zhujiafen Wu Li, Fengtai District, Beijing, PRC	No commercial value
7. No. 1-0-1-202, Longnan Kangle residential area, Xijing Street, Ranghulu District, Daqing, Heilongjiang Province, PRC	No commercial value
8. Room 402, the second dormitory, Block 1, and No. 5 Basement, the second dormitory, Block 3, Haiyun Garden, Tanghai County, Tangshan, Hebei Province, PRC	No commercial value

No.	Property	Capital value in existing state as at 30 September 2007
9.	A-19-B1, Level 19, Fulin Plaza, No. 388 Shuanglin Road, Chengdu, Sichuan Province, PRC	No commercial value
10.	An industrial complex at Changxing Industrial Zone, Changxindian Town, Fengtai District, Beijing, PRC	No commercial value
11.	Room 4163, Block 44, No.11 Fangyuan Road, Chaoyang District, Beijing, PRC	No commercial value
12.	Room 318, Xidiaoyutai Guest House, No. 22 Fucheng Road, Beijing, PRC	No commercial value
13.	Block 8, Cuiping Xi Road, Chaoyang District, Beijing, PRC	No commercial value
14.	Room 316, Jiali Hotel, No. 21 Jiuxian Qiao Road, Jiangtai Village, Chaoyang District, Beijing, PRC	No commercial value

No.	Property	Capital value in existing state as at 30 September 2007
15.	Room 9C, Block C, Xinrong Garden, Hui Zhong Bei Li, Chaoyang District, Beijing, PRC	No commercial value
16.	Room 201, Second Dormitory, Building 2, Kangbo Garden, Korla, Xinjiang Uygur Autonomous Region, PRC	No commercial value
17.	Units 206 to 214, North Block, No. 308 Xinhung Road, Chengdu, Sichuan Province, PRC	No commercial value
18.	An industrial building located at Wumaying Industrial Development Zone, Nanpi County, Cangzhou, Hebei Province, PRC	No commercial value
19.	Three units in Beijing Enterprises Technology Building, No. 10 Baifuquan Road, Changping Technology Park, Zhongguanchun, Haidian District, Beijing, PRC	No commercial value
20.	Various portions of Beijing Pingbei Machinery Factory, Dengzhuangnan, Changping District, Beijing, PRC	No commercial value

No. Property	Capital value in existing state as at 30 September 2007
21. Portion of an office and an industry building at the north of No. 33, Beijing Vehicle Gangquan Main Factory, No.4 Dongda Street, Nankou Town, Changping District, Beijing, PRC	No commercial value
22. Portion of an industry building at the north of No. 34, Beijing Vehicle Gangquan Main Factory, No.4 Dongda Street, Nankou Town, Changping District, Beijing, PRC	No commercial value
23. Portion of an industry building at the south of No. 34, Beijing Vehicle Gangquan Main Factory, No.4 Dongda Street, Nankou Town, Changping District, Beijing, PRC	No commercial value
Sub-total	Nil
Grand-total	<u>RMB262,990,000</u>

VALUATION CERTIFICATE

Group I — Property held by the Group for owner occupation in the PRC

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2007																					
1. Various buildings and structures located at East Development Zone, No. 341 National Highway, Luntai County, Ba Yinguoleng Mongolia Autonomous Prefecture, Xinjiang Uygur Autonomous Region, PRC	<p>The property comprises 6 buildings of single to 2-storey of brick and steel-framed construction and various structures completed in stages between 2003 and 2007.</p> <p>The total gross floor area of the property is approximately 6,994.54 sq.m. (75,289 sq.ft.), the breakdown of which is as follows:</p> <table border="1"> <thead> <tr> <th></th> <th colspan="2">Approximate gross floor area</th> </tr> <tr> <th></th> <th>sq. m.</th> <th>sq. ft.</th> </tr> </thead> <tbody> <tr> <td>Workshop</td> <td>4,761.19</td> <td>51,249</td> </tr> <tr> <td>Office</td> <td>565.14</td> <td>6,083</td> </tr> <tr> <td>Dormitory</td> <td>1,141.94</td> <td>12,292</td> </tr> <tr> <td>Others</td> <td>526.27</td> <td>5,665</td> </tr> <tr> <td>Total</td> <td>6,994.54</td> <td>75,289</td> </tr> </tbody> </table>		Approximate gross floor area			sq. m.	sq. ft.	Workshop	4,761.19	51,249	Office	565.14	6,083	Dormitory	1,141.94	12,292	Others	526.27	5,665	Total	6,994.54	75,289	The property is currently occupied by the Group for workshop, office, dormitory, storage, and other ancillary purposes.	RMB28,730,000
	Approximate gross floor area																							
	sq. m.	sq. ft.																						
Workshop	4,761.19	51,249																						
Office	565.14	6,083																						
Dormitory	1,141.94	12,292																						
Others	526.27	5,665																						
Total	6,994.54	75,289																						
	<p>The aforesaid buildings and structures were erected on a parcel of land with a site area of approximately 87,719.81 sq.m. (944,216 sq.ft.). The property comprises another parcel of vacant land with an area of approximately 44,588.78 sq.m. (479,954 sq.ft.).</p> <p>The land use rights of the property were granted for terms expiring on 5 September 2053 and 14 December 2056 respectively for industrial uses.</p>																							

Notes:

- Pursuant to State-owned Land Use Certificate Lun Guo Tu Zi (2005) No. 296 (輪國土資(2005)第 296號), the land use rights of a parcel of land with a site area of 87,719.81 sq.m. were granted to Xinjiang Tong'ao Oilfield Serviced Limited ("Xinjiang Tong'ao") (新疆通奧油田技術服務有限公司) for a term expiring on 5 September 2053 for industrial uses.
- Pursuant to State-owned Land Use Certificate Zhuan Tai Xian Guo Yong (2006) No. 172 (轉台縣國用(2006)第 172號), the land use rights of a parcel of land with a site area of 44,588.78 sq.m. were granted to Xinjiang Tong'ao for a term expiring on 14 December 2056 for industrial uses.
- Pursuant to six Real Estate Title Certificates Fang Quan Zheng Lun Fang Quan Zi Nos. 20030498, 20030499, 20030500, 20050297, 20070010 and 20070009 (房權證輪房權字第 20030498, 20030499, 20030500, 20050297, 20070010 and 20070009號), the building ownership of six buildings of the property with a total gross floor area of 6,994.54 sq.m. is vested in Xinjiang Tong'ao.

4. We have been provided with a legal opinion on the title to the property issued by the Group's legal adviser, which contains, inter alia, the following information:
- (i) Xinjiang Tong'ao has obtained the State-owned Land Use Certificates and has been granted with the land use rights of the two parcels of land of the property and is entitled to transfer, lease, mortgage or dispose of the land use rights of the land with other means according to the law;
 - (ii) the land of the property with site area of 44,588.78 sq.m. is free from any encumbrances;
 - (iii) the land of the property with site area of 87,719.81 sq.m. is subject to a mortgage in favour of Agricultural Bank of China, Luntai County Branch, for a term expiring on 19 September 2008;
 - (iv) Xinjiang Tong'ao has obtained the Real Estate Title Certificates and the building ownership of six buildings of the property with a total gross floor area of 6,994.54 sq.m. and is entitled to transfer, lease, mortgage or dispose of the buildings by other means according to the law; and
 - (v) the six buildings of the property with a total gross floor area of 6,994.54 sq.m. are subject to a mortgage in favour of Agricultural Bank of China, Luntai County Branch, for a term expiring on 23 March 2008.

Group II — Properties held under development by the Group in the PRC

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2007
2. An industrial complex located at No. 9 Yongle Street, Yanxi Economical Development Zone, Huairou District, Beijing, PRC	<p>The property comprises a site with a site area of approximately 40,168.64 sq.m. (432,375 sq.ft.) on which an industrial complex is proposed to be built.</p> <p>Upon completion, the industrial complex will accommodate 5 buildings with a total gross floor area of approximately 10,268.68 sq.m. (110,532 sq.ft.).</p> <p>The proposed development is scheduled to be completed by mid 2008.</p> <p>The land use rights of the property were granted for a term expiring on 8 December 2056 for industrial use.</p>	The property is currently under construction.	RMB34,070,000

Notes:

1. Pursuant to State-owned Land Use Certificate Jing Huai Guo Yong (2007 Chu) No. 0062 (京懷國用(2007出)第 0062號), the land use rights of a parcel of land with a site area of 40,168.64 sq.m. were granted to Beijing Anton New Materials Technology Limited (“Anton New Materials”) 北京安東新材料技術有限公司 for a term expiring on 8 December 2056 for industrial use.
2. Pursuant to Planning Permit for Construction Land No. 2007 Gui (Huai) Di Zi 0002 (2007規(懷)地字 0002號) issued on 11 January 2007, Anton New Materials is permitted to use a parcel of land with a site area of 40,168.645 sq.m. for development of industrial project.
3. Pursuant to Planning Permit for Construction Works No. 2007 Gui (Huai) Jian Zi 0001 (2007規(懷)建字 0001號) issued on 22 January 2007, Anton New Materials is permitted to construct an industrial project with a gross floor area of 10,268.68 sq.m.
4. According to the information provided, the incurred and outstanding construction costs to complete the property as at the date of valuation are about RMB19,980,000 and RMB4,092,000 respectively.
5. The capital value when completed of the property as at the date of valuation is RMB40,760,000.
6. We have been provided with a legal opinion on the title to the property issued by the Group’s legal adviser, which contains, inter alia, the following information:
 - (i) Anton New Materials has obtained the State-owned Land Use Certificate and has been granted with the land use rights of the land of the property and is entitled to transfer, lease, mortgage or dispose of the land use rights of the land with other means according to the law;
 - (ii) after the construction works have been completed and Anton New Materials has obtained the relevant Building Ownership Certificate for the buildings of the property, Anton New Materials is entitled to transfer, lease, mortgage or dispose of the buildings by other means according to the law; and
 - (iii) the property is free from any encumbrances.

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2007
3. Two industrial buildings located at Development Zone, South of Jingyi Road, West of Weiqi Road, East of 218 Ancillary Road and North of Jinger Road, Korla, Xinjiang Uygur Autonomous Region, PRC	<p>The property comprises two parcels of land with approximate site areas of 400,029.47 sq.m. (4,305,917 sq.ft.) and 428,017.00 sq.m. (4,607,175 sq.ft.) respectively, on which a single-storey industrial building has been completed in 2005 whilst another single-storey industrial building is being constructed.</p> <p>The completed building of the property has a gross floor area of approximately 2,468.36 sq.m. (26,569 sq.ft.) whilst the building under construction has a planned gross floor area of approximately 8,030.00 sq.m. (86,435 sq.ft.).</p> <p>The building under construction is scheduled to be completed by mid 2008.</p> <p>The land use rights of the property were granted for terms expiring on 17 September 2055 and 7 October 2056 respectively for industrial use.</p>	<p>The completed building of the property is currently occupied as workshop whilst the remaining building is currently under construction.</p>	RMB200,190,000

Notes:

1. Pursuant to State-owned Land Use Certificate Ba Guo Yong (2006) No. 014 (巴國用(2006)第014號), dated 15 August 2006, the land use rights of a parcel of land with an area of 400,029.47 sq.m. were granted to Anton Tong'ao Technological Products Limited ("Anton Tong'ao") (安東通奧科技產業有限公司) for a term expiring on 17 September 2055 for industrial use.
2. Pursuant to State-owned Land Use Certificate Ba Guo Yong (2007) No. 002 (巴國用(2007)第002號), the land use rights of a parcel of land with an area of 428,017 sq.m. were granted to Anton Tong'ao for a term expiring on 7 October 2056 for industrial use.
3. Pursuant to two Planning Permit for Construction Land Nos. [2005] 234 and [2006] 002, Anton Tong'ao is permitted to use the land of the property with site areas of 400,029.538 sq.m. and 428,018.18 sq.m. for development of industrial project.
4. Pursuant to Planning Permit for Construction Works No. [2005] 35, Anton Tong'ao is permitted to construct an industrial building with a gross floor area of 2,468.36 sq.m.
5. Pursuant to Permit for Commencement of Construction Works No. 2007-09, Anton Tong'ao is permitted to commence the construction works of an industrial building with a planned gross floor area of 8,030 sq.m.
6. According to the information provided, the incurred and outstanding construction costs to complete the property as at the date of valuation are about RMB8,430,000 and RMB3,910,000 respectively.
7. The capital value when completed of the property as at the date of valuation is RMB201,912,000.
8. We have been provided with a legal opinion on the title to the property issued by the Group's legal adviser, which contains, inter alia, the following information:
 - (i) Anton Tong'ao has obtained the State-owned Land Use Certificates and has been granted with the land use rights of the land of the property and is entitled to transfer, lease, mortgage or disposal of the land use rights of the land with other means according to the law;
 - (ii) there is no legal impediment for Anton Tong'ao to complete the construction works completion examination procedures for the completed building of the property. Upon completion of the procedures and obtained the relevant Building Ownership Certificate, Anton Tong'ao is entitled transfer, lease, mortgage or dispose of the building with other means according to the law;
 - (iii) after the construction works of the building under construction have been completed and Anton Tong'ao has obtained the relevant Building Ownership Certificate for the building, Anton Tong'ao is entitled to transfer, lease, mortgage or dispose of the building by other means according to the law; and
 - (iv) the land of the property is free from any encumbrances.

Group III — Properties leased and occupied by the Group located in the PRC

Property	Description and tenancy particulars	Particulars of occupancy	Capital value in existing state as at 30 September 2007
4. Rooms 301, 302, 303, 305, 306 and 307 on Level 3, Room 605 on Level 6 and Room 1107 on Level 11, Lijingmingmen Building, No. 5 Huajiadi East Road, Chaoyang District, Beijing, PRC	<p>The property comprises eight units of a 21-storey plus a 2-level basement residential building completed in 2000.</p> <p>The total gross floor area of the property is approximately 1,128.97 sq.m. (12,152 sq.ft.).</p> <p>Room 1107 is leased to the Group for term commencing on 1 December 2006 and due to expire on 30 November 2007 at an annual rental of RMB48,000, exclusive of management fees and charges.</p> <p>The remaining 7 units of the property are subject to respective agreements for occupation term expiring on 31 December 2007 at no consideration.</p>	The property is occupied by the Group for office purposes.	No commercial value

Notes:

1. Rooms 301, 302, 303, 305, 605 and 1107 are occupied by Anton Oilfield Services (Group) Limited (“Anton Oil”); Room 306 is occupied by Beijing Zhongji Hengtong Oilfield Technology Limited (北京中基恒通油井技術有限責任公司) and Room 307 is occupied by Beijing Anton Fenglei Machinery Company Limited (北京安東風雷機械有限責任公司). The lessor of Room 1107, Sun Shu Kui (孫書奎), is an independent third party to the Company. The owners of Rooms 301, 302, 303, 305, 306, 307 and 605 are Guo Zheng Qing (郭正清), Ma Jian Min (馬建民), Luo Lin (羅林), He Zhi Gang (賀志剛) and Li Man (李嫻). They are the nominees of Anton Oil (Please refer to note (2)) whilst the occupiers/lessee of the property are wholly owned subsidiaries of the Company.
2. Anton Oil nominated certain nominees in 2000 to 2004 to acquire the Rooms 301, 302, 303, 305, 306, 307 and 605 of the property on behalf of Anton Oil. Subsequently, Anton Oil and the nominees have entered into various agreements on 30 June 2007 and agreed to discharge the nomination upon, inter alia, the following terms :
 - (a) the nominees would become the owners of the property;
 - (b) Anton Oil would be reimbursed for the acquisition costs of the property; and
 - (c) the existing occupiers would be entitled to occupy the property free of any rent until 31 December 2007.

According to the opinion of the legal advisers to the Group, the aforesaid agreements are valid and binding.
3. We have been provided with a legal opinion on the title to the property issued by the Group’s PRC legal adviser, which contains, inter alia, the following information:
 - (i) the lessor of Room 1107 of the property has obtained the relevant Building Ownership Certificate and has the right to lease the property;
 - (ii) the tenancy agreement of Room 1107 of the property is lawful, valid and legally binding. The tenancy agreement has not been registered but it will not affect the validity of the tenancy agreement under the PRC laws;
 - (iii) the existing use of the properties as office is comply with the prescribed use; and
 - (iv) rooms 301, 302, 303, 305, 306, 307 and 605 of the property are subject to respective agreements and the existing occupiers of the said units can occupy the said units for a term expiring on 31 December 2007 at no consideration. As confirmed by the occupiers, they will move out from the said units from 1 January 2008. The said agreements are lawful, valid and legally binding. The occupiers can use these units of the property for office uses. The Executive Director of the Group, Luo Lin, has provided a personal guarantee to bear any loss and costs of the occupiers and will provide substitute premises to them if they cannot occupy the said units within the said occupation period or cannot find any substitute premises after the expiry of the said occupation period.

Property	Description and tenancy particulars	Particulars of occupancy	Capital value in existing state as at 30 September 2007
5. Room 316 on Level 3, Guobin Building, No. 21 Jiuxian Qiao Road, Chaoyang District, Beijing, PRC	<p>The property comprises an office unit on Level 3 of a 17-storey commercial building completed in 1995.</p> <p>The gross floor area of the property is approximately 25.00 sq.m. (269 sq.ft.).</p> <p>The property is leased to the Group for a term commencing on 10 December 2006 and expiring on 9 December 2009 at an annual rental of RMB43,200.</p>	The property is occupied by the Group for office purpose.	No commercial value

Notes:

1. The property is leased from Beijing Guobin Building (北京市國賓大廈) which is the attorney of the owner of the property and is an independent third party to the Company. The lessee of the property, Anton Oilfield Services (Group) Limited is a wholly owned subsidiary of the Company.
2. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal adviser, which contains, inter alia, the following information:
 - (i) the owner of the property has obtained the Building Ownership Certificate of the property and has the right to lease the property;
 - (ii) the tenancy agreement is lawful, valid and legally binding;
 - (iii) the existing use of the property as office is in compliance with the prescribed use;
 - (iv) the tenancy agreement has not been registered but it will not affect the validity of the tenancy agreement under the PRC laws; and
 - (v) the property is free from any mortgages.

Property	Description and tenancy particulars	Particulars of occupancy	Capital value in existing state as at 30 September 2007
6. A factory building, No. 5 Zhujiafen Wu Li, Fengtai District, Beijing, PRC	<p>The property comprise a single-storey industrial building completed in 2003.</p> <p>The gross floor area of the property is approximately 280.00 sq.m. (3,014 sq.ft.).</p> <p>The property is leased to the Group for a term commencing on 6 September 2007 and expiring on 6 September 2008 at an annual rental of RMB30,000.</p>	The property is occupied by the Group for production and storage purposes.	No commercial value

Notes:

1. The property is leased from Beijing Beifang Yanxingda Machinery Production Company Limited (北京北方燕興達機械製造有限公司), an independent third party to the Company, to Anton Oilfield Services (Group) Limited, a wholly owned subsidiary of the Company.
2. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal adviser, which contains, inter alia, the following information:
 - (i) the lessor of the property has not obtained the Building Ownership Certificate. The tenancy agreement may be judged as invalid if there is an dispute. The Executive Director of the Group, Luo Lin, has provided a personal guarantee to bear any loss and costs and will provide substitute premises to the lessee if the lessor has no right to lease the property to the lessee and the lessee cannot occupy the property;
 - (ii) the existing use of the property as workshop and warehouse is in compliance with the prescribed use;
 - (iii) tenancy agreement has not been registered but it will not affect the validity of the tenancy agreement under the PRC laws; and
 - (iv) the property is free from mortgage.

Property	Description and tenancy particulars	Particulars of occupancy	Capital value in existing state as at 30 September 2007
7. No. 1-0-1-202, Longnan Kangle residential area, Xijing Street, Ranghulu District, Daqing, Heilongjiang Province, PRC	The property comprises a unit on Level 2 of a 3-storey residential building completed in 2003. The gross floor area of the property is approximately 152.00 sq.m. (1,636 sq.ft.). The property is leased to the Group for a term commencing on 1 July 2007 and expiring on 1 July 2008 at an annual rental of RMB30,000.	The property is occupied by the Group for office purposes.	No commercial value

Notes:

1. The property is leased from Zhang Li Hong (張麗紅), an independent third party to the Company, to Anton Oilfield Services (Group) Limited, a wholly owned subsidiary of the Company.
2. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal adviser, which contains, inter alia, the following information:
 - (i) the lessor has obtained the Building Ownership Certificate of the property and has the right to lease the property;
 - (ii) the tenancy agreement is lawful, valid and legally binding;
 - (iii) the existing use of the property as office is in compliance with the prescribed use;
 - (iv) the tenancy agreement has not been registered but it will not affect the validity of the tenancy agreement under the PRC laws; and
 - (v) the property is free from any mortgages.

Property	Description and tenancy particulars	Particulars of occupancy	Capital value in existing state as at 30 September 2007
8. Room 402, the Second dormitory, Block 1, and No. 5 basement, the Second dormitory, Block 3 Haiyun Garden, Tanghai County, Tangshan, Hebei Province, PRC	<p>The property comprises two units on Level 4 and Basement 1 of a 5-storey residential building completed in 2003.</p> <p>The total gross floor area of the property is approximately 117.45 sq.m. (1,264 sq.ft.).</p> <p>The property is leased to the Group under two tenancy agreements for terms commencing on 16 December 2006 and 3 January 2007 and expiring on 15 December 2007 and 3 January 2008 respectively at a total annual rental of RMB17,440.</p>	The property is occupied by the Group for office purpose.	No commercial value

Notes:

1. The property is leased from Qi Jin Ling (祁金玲) and Chen Jiying (陳季英) respectively, independent third parties to the Company, to Anton Oilfield Services (Group) Limited, a wholly owned subsidiary of the Company.
2. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal adviser, which contains, inter alia, the following information:
 - (i) the lessor of Room 402 of the property has obtained the Building Ownership Certificate and has the right to lease Room 402 of the property;
 - (ii) the tenancy agreement of Room 402 of the property is lawful, valid and legally binding. The tenancy agreement has not been registered but it will not affect the validity of the tenancy agreement under the law;
 - (iii) the lessor of No. 5 Basement of the property has not obtained the Building Ownership Certificate. The tenancy agreement may be judged as invalid if there is a dispute. The Executive Director of the Group, Luo Lin, has provided a personal guarantee to bear any loss and costs and will provide substitute premises to the lessee if the lessor has no right to lease the property to the lessee and the lessee cannot occupy the property. The tenancy agreement has not been registered but it will not affect the validity of the tenancy agreement under the PRC laws;
 - (iv) the existing use of the property as office is in compliance with the prescribed use; and
 - (v) the property is free from any mortgages.

Property	Description and tenancy particulars	Particulars of occupancy	Capital value in existing state as at 30 September 2007
9. A-19-B1, Level 19, Fulin Plaza, No. 388 Shuanglin Road, Chengdu, Sichuan Province, PRC	<p>The property comprises a residential unit on Level 19 of a 32-storey plus a 2-level basement residential building completed in 2002.</p> <p>The gross floor area of the property is approximately 123.94 sq.m. (1,334 sq.ft.).</p> <p>The property is leased to the Group for a term commencing on 1 December 2005 and expiring on 31 May 2008 at an annual rental of RMB28,200.</p>	The property is occupied by the Group for staff quarter purposes.	No commercial value

Notes:

1. The property is leased from Cheng Li Ming (程立明), an independent third party to the Company, to Fu Daoxia (符道霞). According to a Power of Attorney, Anton Oilfield Services (Group) Limited, a wholly owned subsidiary of the Company, has authorized Fu Daoxia to lease the property on their behalf.
2. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal adviser, which contains, inter alia, the following information:
 - (i) the tenancy agreement is legal and valid;
 - (ii) the existing use of the property as office is comply with the prescribed use; and
 - (iii) the lessor of the property is the owner of the property and has pledged the property to a bank. If the lessor does not repay the mortgage in order and the bank exercise its mortgagee rights, the rights of the lessee under the tenancy agreement will not be protected by the law. The Executive Director of the Group, Luo Lin, has provided a personal guarantee to bear any loss and costs and will provide substitute premises to the lessee if the lessor has no right to lease the property to the lessee and the lessee cannot occupy the property.

	Property	Description and tenancy particulars	Particulars of occupancy	Capital value in existing state as at 30 September 2007
10.	An industrial building at Changxing Industrial Zone, Changxindian Town, Fengtai District, Beijing, PRC	The property comprises a single-storey factory building completed in 2000 with a gross floor area of approximately 1,502.05 sq.m. (16,168 sq.ft.). The property is leased to the Group for a term commencing on 1 December 2003 and expiring on 30 November 2008 at an annual rental of RMB200,000.	The property is occupied by the Group for production purposes.	No commercial value

Notes:

1. The property is leased from Wang Shi Hong (王世宏), an independent third party to the Company, to Anton Oilfield Services (Group) Limited, a wholly owned subsidiary of the Company.
2. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal adviser, which contains, inter alia, the following information:
 - (i) the lessor of the property has not obtained the State-owned Land Use Certificate and Building Ownership Certificate of the property. The tenancy agreement may be judged as invalid if there is an dispute. The Executive Director of the Group, Luo Lin, has provided a personal guarantee to bear any loss and costs and will provide substitute premises to the lessee if the lessor has no right to lease the property to the lessee and the lessee cannot occupy the property;
 - (ii) the tenancy agreement has not been registered but it will not affect the validity of the tenancy agreement under the PRC laws;
 - (iii) the existing use of the property as workshop is in compliance with the prescribed use;
 - (iv) the property is free from any mortgages; and
 - (v) as confirmed by Anton Oilfield Services (Group) Limited, the production activities of this property will be relocated to the industrial premises situated at Huairou District, Beijing (Property 2).

Property	Description and tenancy particulars	Particulars of occupancy	Capital value in existing state as at 30 September 2007
11. Room 4163, Block 44, No. 11 Fangyuan Road, Chaoyang District, Beijing PRC	<p>The property comprises an office unit on Level 16 of a 21-storey residential building completed in 1992.</p> <p>The gross floor area of the property is approximately 59.45 sq.m. (640 sq.ft.).</p> <p>The property is leased to the Group for a term commencing on 15 June 2006 and expiring on 14 June 2009 at an annual rental of RMB20,000.</p>	The property is occupied by the Group for office purpose.	No commercial value

Notes:

1. The property is leased from Song Chun Hong (宋春紅), an independent third party to the Company, to Beijing Foyou Engineering Technology Limited (北京佛友工程技術有限責任公司), which is a wholly-owned subsidiary of the Company.
2. We have been provided with a legal opinion on the title property issued by the Group's PRC legal adviser, which contains, inter alia, the following information:
 - (i) the lessor has obtained the Building Ownership Certificate of the property and has the right to lease the property;
 - (ii) the tenancy agreement of the property is lawful, valid and legally binding;
 - (iii) the tenancy agreement has not been registered but it will not affect the validity of the tenancy agreement under the PRC laws;
 - (iv) the existing use of the property as office is in compliance with the prescribed use; and
 - (v) the property is free from any mortgages.

Property	Description and tenancy particulars	Particulars of occupancy	Capital value in existing state as at 30 September 2007
12. Room 318, Xidiaoyutai Guest House, No. 22 Fucheng Road, Beijing, PRC	<p>The property comprises an office unit on Level 3 of a 6-storey commercial building completed in 1995.</p> <p>The gross floor area of the property is approximately 45.00 sq.m. (484 sq.ft.).</p> <p>The property is leased to the Group for a term commencing on 1 September 2005 and expiring on 31 August 2008 at an annual rental of RMB20,000.</p>	The property is occupied by the Group for office purpose.	No commercial value

Notes:

1. The property is leased from Beijing Hang Tian Xidiaoyutai Guest House, an independent third party to the Company, to Beijing Tongsheng Well Engineering Technology Limited (北京通盛威爾工程技術有限公司), which is a wholly-owned subsidiary of the Company.
2. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal adviser, which contains, inter alia, the following information:
 - (i) the lessor of the property has not obtained the Building Ownership Certificate of the property. The tenancy agreement may be judged as invalid if there is an dispute. The Executive Director of the Group, Luo Lin, has provided a personal guarantee to bear any loss and costs and will provide substitute premises to the lessee if the lessor has no right to lease the property to the lessee and the lessee cannot occupy the property;
 - (ii) the tenancy agreement has not been registered but it will not affect the validity of the tenancy agreement under the PRC laws;
 - (iii) the property is free from any mortgages; and
 - (iv) the existing use of the property as office is in compliance with the prescribed use.

Property	Description and tenancy particulars	Particulars of occupancy	Capital value in existing state as at 30 September 2007
13. Block 8, Cuiping Xi Road, Chaoyang District, Beijing, PRC	<p>The property comprises a 2-storey office building completed in 2002.</p> <p>The total gross floor area of the property is approximately 4,104.60 sq.m. (44,182 sq.ft.)</p> <p>The property is leased to the Group for a term commencing on 1 September 2007 and expiring on 31 August 2012 at the rental as shown in note 1.</p>	The property is occupied by the Group for office purpose.	No commercial value

Notes:

1. The daily rental of the property is shown as below:

	Daily rental (on gross floor area)
(i) 1 September 2007 to 29 December 2007	Rent free
(ii) 30 December 2007 to 31 August 2009	RMB2.85 per sq.m.
(iii) 1 September 2009 to 31 August 2010	RMB3.10 per sq.m.
(iv) 1 September 2010 to 31 August 2011	RMB3.30 per sq.m.
(v) 1 September 2011 to 31 August 2012	RMB3.50 per sq.m.

2. The property is leased from Beijing Wangjing New Industries Region Integrated Development Company (北京望京新興產業區綜合開發公司), an independent third party to the Company, to Anton Oilfield Services Group Limited, a wholly-owned subsidiary of the Company.

3. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal adviser, which contains, inter-alia, the following information:

- (i) the lessor has obtained the Building Ownership Certificate and has the right to lease the property;
- (ii) the tenancy agreement is lawful, valid and legally binding;
- (iii) the tenancy agreement has not been registered but this will not affect the validity of the tenancy agreement under the PRC laws; and
- (iv) the existing use of the property as office is in compliance with the prescribed use.

	Property	Description and tenancy particulars	Particulars of occupancy	Capital value in existing state as at 30 September 2007
14.	Room 316, Jiali Hotel, No. 21 Jiuxian Qiao Road, Jiangtai Village, Chaoyang District, Beijing, PRC	<p>The property comprises a guest room of a 5-storey hotel building completed in 1985.</p> <p>The gross floor area of the property is approximately 18.00 sq.m. (194 sq.ft.).</p> <p>The property is leased to the Group for a term commencing on 1 January 2006 and expiring on 31 December 2008 at an annual rental of RM19,716.</p>	The property is occupied by the Group for office purpose.	No commercial value

Notes:

1. The property is leased from Beijing Chaoyang Jiali Hotel (北京朝陽佳麗飯店), an independent third party to the Company, to Beijing Xiguan Antong Testing Technology Limited (北京西管安通檢測技術有限責任公司), which is a 51% owned subsidiary of the Company.
2. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal adviser, which contains, inter alia, the following information:
 - (i) the lessor of the property has not obtained the Building Ownership Certificate of the property. The tenancy agreement may be judged as invalid if there is an dispute. The Executive Director of the Group, Luo Lin, has provided a personal guarantee to bear any loss and costs and will provide substitute premises to the lessee if the lessor has no right to lease the property to the lessee and the lessee cannot occupy the property;
 - (ii) the tenancy agreement has not been registered but it will not affect the validity of the tenancy agreement under the PRC laws;
 - (iii) the property is free from any mortgages; and
 - (iv) the existing use of the property as office is in compliance with the prescribed use.

Property	Description and tenancy particulars	Particulars of occupancy	Capital value in existing state as at 30 September 2007
15. Room 9C, Block C, Xin Rong Garden (新榮家園), Hui Zhong Bei Li, Chaoyang District, Beijing, PRC	<p>The property comprises a unit on Level 9 of a 27-storey composite building completed in about 1999.</p> <p>The gross floor area of the property is approximately 142 sq.m. (1,528 sq.ft.).</p> <p>The property is leased to the Group for a term commencing on 1 September 2006 and expiring on 31 August 2009 at an annual rental of RMB72,000.</p>	The property is occupied by the Group for office purpose.	No commercial value

Notes:

1. The property is leased from Qin Gang (秦剛), an independent third party to the Company, to Beijing Xiguan Antong Testing Technology Limited (北京西管安通檢測技術有限責任公司), which is a 51% owned subsidiary of the Company.
2. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal adviser, which contains, inter alia, the following information:
 - (i) the lessor of the property has not obtained the Building Ownership Certificate of the property. The tenancy agreement may be judged as invalid if there is a dispute. The Executive Director of the Group, Luo Lin, has provided a personal guarantee to bear any loss and costs and will provide substitute premises to the lessee if the lessor has no right to lease the property to the lessee and the lessee cannot occupy the property;
 - (ii) the tenancy agreement has not been registered but it will not affect the validity of the tenancy agreement under the PRC laws;
 - (iii) the property is free from any mortgages; and
 - (iv) the existing use of the property as office is in compliance with the prescribed use.

	Property	Description and tenancy particulars	Particulars of occupancy	Capital value in existing state as at 30 September 2007
16.	Room 201, Second Dormitory, Building 2, Kangbo Garden, Korla, Xinjiang Uygur Autonomous Region, PRC	<p>The property comprises a unit on Level 2 of a 6-storey residential building completed in about 2006.</p> <p>The gross floor area of the property is approximately 103.18 sq.m. (1,111 sq.ft.).</p> <p>The property is leased to the Group for a term commencing on 20 November 2006 and expiring on 20 November 2007 at an annual rental of RMB4,800.</p>	The property is occupied by the Group for dormitory purpose.	No commercial value

Notes:

1. The property is leased from Cai Tong Sheng (蔡同生), an independent third party to the Company, to Xinjiang Foyou Oil Engineering Construction Limited (新疆佛友石油工程建設有限責任公司), which is a wholly-owned subsidiary of the Company.
2. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal adviser, which contains, inter alia, the following information:
 - (i) the tenancy agreement is legal and valid;
 - (ii) the existing use of the property as dormitory is in compliance with the prescribed use; and
 - (iii) the lessor of the property is the owner of the property and has pledged the property to a bank. The lessor has the right to lease the property. If the lessor does not repay the mortgage in order and the bank exercise the mortgagee rights, the rights of the Company under the tenancy agreement will not be protected by the law. The Executive Director of the Group, Luo Lin, has provided a personal guarantee to bear any loss and costs and will provide substitute premises to the Company if the Company cannot occupy the property.

Property	Description and tenancy particulars	Particulars of occupancy	Capital value in existing state as at 30 September 2007
17. Units 206 to 214, North Block, No. 308 Xinhung Road, Chengdu, Sichuan Province, PRC	<p>The property comprises nine units on Level 2 of a multi-storey hostel building completed in about 1995.</p> <p>The gross floor area of the property is approximately 270 sq.m. (2,906 sq.ft.).</p> <p>The property is leased to the Group for a term commencing on 1 July 2007 and expiring on 30 June 2009 at an annual rental of RMB80,000.</p>	The property is occupied by the Group for office purpose.	No commercial value

Notes:

1. The property is leased from Xinan Petroleum College Chengdu Office Guesthouse, an independent third party to the Company, to Anton Oilfield Services (Group) Limited, a wholly owned subsidiary of the Company.
2. We have been provided with a legal opinion on the title property issued by the Group's PRC legal adviser, which contains, inter alia, the following information:
 - (i) the lessor of the property has obtained the relevant Building Ownership Certificate and the lessor has the right to lease the property;
 - (ii) the tenancy agreement of the property is lawful, valid and legally binding;
 - (iii) the tenancy agreement has not been registered but it will not affect the validity of the tenancy agreement under the PRC laws;
 - (iv) the existing use of the property as office is in compliance with the prescribed use; and
 - (v) the property is free from any mortgages.

Property	Description and tenancy particulars	Particulars of occupancy	Capital value in existing state as at 30 September 2007
18. An industrial building located at Wumaying Industrial Development Zone, Nanpi County, Cangzhou, Hebei Province, PRC	<p>The property comprises various single-storey industrial buildings of mixed construction erected upon a parcel of land with site area of approximately 39,142.29 sq.m. (421,328 sq.ft.) completed in 2006.</p> <p>The property has a total gross floor area of approximately 3,229.1 sq.m. (34,758 sq.ft.).</p> <p>The land use rights of the property were leased for a term commencing on 4 December 2006 and expiring on 4 November 2056.</p>	The property is currently occupied by the Group for workshop purposes.	No commercial value

Notes:

1. The land of the property is leased from the Village Committee of Maying Village, an independent third party to the Company, to Cangzhou Hinen-Hitech Petroleum Technology Development Co., Ltd. (滄州海能海特石油科技發展有限公司), a 66.67% interest owned subsidiary of the Company, for a term commencing on 4 December 2006 and expiring on 4 November 2056 at an annual rent of about RMB37,870. According to a Transfer Agreement entered into between Cangzhou Hinen and Hebei Hengshen Vehicle Electronic Co., Ltd. (河北衡紳汽車電子有限公司) ("Hebei Hengshen"), an independent third party to the Company, on 23 September 2007, Cangzhou Hinen has terminated the lease of the land and transferred the buildings on the land to Hebei Hengshen and Hebei Hengshen will lease the land from the Village Committee of Maying Village. Hebei Hengshen agreed to allow Cangzhou Hinen to occupy the property at no consideration for a period to the end of 2008.
2. We have been provided with a legal opinion on the title to the property issued by the Group's legal adviser, which contains, inter alia, the following information:
 - (i) Cangzhou Hinen-Hitech Petroleum Technology Development Co., Ltd. ("Cangzhou Hinen") leased the land of the property from the Village Committee of Maying Village (the Lessor). According to a Transfer Agreement entered into between Cangzhou Hinen and Hebei Hengshen on 23 September 2007, Cangzhou Hinen has terminated the lease of the land and transferred the buildings on the land to Hebei Hengshen and Hebei Hengshen will lease the land from the lessor. Hebei Hengshen agreed to let Cangzhou Hinen to occupy the property freely before Cangzhou Hinen move out from the property by the end of 2008;
 - (ii) the buildings of the property is built by Cangzhou Hinen. However, no application for the construction works of the buildings has been proceed and no ownership certificate have been obtained;
 - (iii) Hebei Hengshen has not obtained the relevant ownership certificate of the property and is not entitled to provide the property for the occupation by Cangzhou Hinen and the right of occupation is not valid and protected by the laws. The Executive Director of the Group, Luo Lin, has provided a personal guarantee to bear any loss and costs and will provide substitute premises to Cangzhou Hinen if Cangzhou Hinen cannot occupy the property;
 - (iv) the existing use of the property is in compliance with the presented use; and
 - (v) the property is free from any mortgages.

Property	Description and tenancy particulars	Particulars of occupancy	Capital value in existing state as at 30 September 2007
19. Three units in Beijing Enterprises Technology Building, No. 10 Baifuquan Road, Changping Technology Park, Zhongguanchun, Haidian District, Beijing, PRC	<p>The property comprises three office units of a 12-storey office building completed in 2004.</p> <p>The total gross floor area of the property is approximately 318.81 sq.m. (3,432 sq.ft.).</p> <p>The property is leased to the Group under three tenancy agreements with the terms summarized in note (1).</p>	The property is occupied by the Group for office purposes.	No commercial value

Notes:

- The property is leased from Beijing Enterprises High Technology Incubator Company Limited (北京北控高科技孵化器有限公司), an independent third party to the Company, to Beijing Hinen-Hitech Petroleum Technology Development Co., Ltd. (北京海能海特石油科技发展有限公司) and Beijing Huarne Petroleum Technology Co., Ltd. (北京華瑞美爾石油科技有限公司) respectively, a wholly-owned and a 66.67% interest owned subsidiaries of the Company. The details of the tenancy agreements are listed as below.

Room No.	Commencement date	Expiry date	Annual rental
2-207	18 August 2006	17 August 2009	RMB74,565
7-702	25 May 2006	24 May 2009	RMB56,000
7-707A	16 April 2007	15 April 2010	RMB55,909

- We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal adviser, which contains, inter alia, the following information:
 - the lessor of the property has obtained the relevant Building Ownership Certificate. The lessor has the rights to lease the property.
 - the tenancy agreements of the property are lawful, valid and legally binding;
 - the tenancy agreements have not been registered but it will not affect the validity of the tenancy agreements under the PRC laws;
 - the existing use of the property as office is in compliance with the prescribed use; and
 - the property is free from any mortgages.

Property	Description and tenancy particulars	Particulars of occupancy	Capital value in existing state as at 30 September 2007
20. Various portions of Beijing Pingbei Machinery Factory, Dengzhuangnan, Changqing District, Beijing, PRC	<p>The property comprises various portions of 6 single to 2-storey buildings of an industrial complex completed between 1994 to 2004.</p> <p>The total gross floor area of the property is approximately 6,064.40 sq.m. (65,277 sq.ft.).</p> <p>The property is leased to the Group under various tenancy agreements with the terms summarized in note (1).</p>	The property is occupied by the Group for production and office purposes.	No commercial value

Notes:

- The property is leased from Beijing Pingbei Machinery Factory (北京平北機械廠), an independent third party to the Company, to Beijing Hinen-Hitech Petroleum Technology Development Co., Ltd. (北京海能海特石油科技發展有限公司) and Beijing Huarme Petroleum Technology Co., Ltd. (北京華瑞美爾石油科技有限公司), both are wholly-owned subsidiaries of the Company. The details of the said tenancy agreements are listed as below.

Portion	Commencement date	Expiry date	Annual rental
Portion of L1 of an office building	1 March 2007	31 December 2013	RMB6,000
Portion of L1 of an office building	1 March 2007	31 December 2013	RMB3,600
Portion of L2 of an office building	1 August 2005	31 December 2013	RMB14,720
Portion of L2 of an office building	19 January 2006	31 December 2013	RMB18,410
Portion of an industrial building	1 August 2005	31 December 2013	RMB160,000
Portion of an industrial building	1 August 2005	31 December 2013	RMB168,704
Portion of an industrial building	25 April 2007	31 December 2013	RMB48,000
Portion of an industrial building	12 April 2007	11 April 2008	RMB61,000

- We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal adviser, which contains, inter alia, the following information:
 - the lessor of the property has not obtained the Building Ownership Certificate of the property. The tenancy agreements may be judged as invalid if there is a dispute. The Executive Director of the Group, Luo Lin, has provided a personal guarantee to bear any loss and costs and will provide substitute premises to the lessees if the lessees cannot occupy the property;
 - the tenancy agreements have not been registered but it will not affect the validity of the tenancy agreements under the PRC laws;
 - the property is free from any mortgages; and
 - the existing uses of the property as workshop and office are in compliance with the prescribed uses.

Property	Description and tenancy particulars	Particulars of occupancy	Capital value in existing state as at 30 September 2007
21. Portion of an office building and an industry building at the north of No. 33, Beijing Vehicle Gangquan Main Factory, No.4 Dongda Street, Nankou Town, Changping District, Beijing, PRC	<p>The property comprises portion of a single storey industrial building and portion on the Level 3 of a 3-storey office building completed in 1986.</p> <p>The gross floor area of the property is approximately 3,421.70 sq.m. (36,831 sq.ft.).</p> <p>The property is leased to the Group for a term commencing on 1 October 2007 and expiring on 30 September 2015 at an annual rental of RMB626,639.</p>	The property will be occupied by the Group for office and workshop purpose.	No commercial value

Notes:

1. The property is leased from Beijing Vehicle Gangquan Main Factory (北京市汽車鋼圈總廠), an independent third party to the Company, to Beijing Hinen-Hitech Petroleum Technology development Co., Ltd. (北京海能海特石油科技發展有限公司), a wholly-owned subsidiary of the Company.
2. We have been provided with a legal opinion on the title property issued by the Group's PRC legal adviser, which contains, inter alia, the following information:
 - (i) the lessor of the property has obtained the relevant Building Ownership Certificate of the property and has the right to lease the property;
 - (ii) the tenancy agreement of the property is lawful, valid and legally binding;
 - (iii) the tenancy agreement has not been registered but it will not affect the validity of the tenancy agreement under the PRC laws;
 - (iv) the lessor has pledged the property to a third party. If the lessor does not repay the mortgage in order and the bank exercise the mortgagee rights, the rights of the lessee under the tenancy agreement will not be protected by the law. The Executive Director of the Group, Luo Lin, has provided a personal guarantee to bear any loss and costs and will provide substitute premises to the lessee if the lessee cannot occupy the property; and
 - (v) the proposed use of the property is in compliance with the prescribed use.

	Property	Description and tenancy particulars	Particulars of occupancy	Capital value in existing state as at 30 September 2007
22.	Industry building at the north of No. 34, Beijing Vehicle Gangquan Main Factory, No.4 Dongda Street, Nankou Town, Changping District, Beijing, PRC	<p>The property comprises portion of a single storey industrial building completed in 1986.</p> <p>The gross floor area of the property is approximately 1,525.23 sq.m. (16,418 sq.ft.).</p> <p>The property is leased to the Group for a term commencing on 1 October 2007 and expiring on 30 September 2015 at an annual rental of RMB194,848.</p>	The property will be occupied by the Group for workshop purpose.	No commercial value

Notes:

1. The property is leased from Beijing Vehicle Gangquan Main Factory (北京市汽車鋼圈總廠), an independent third party to the Company, to Cangzhou Hinen-Hitech Petroleum Technology Development Co., Ltd. (滄州海能海特石油科技發展有限公司), a 66.67% interest owned subsidiary of the Company.
2. We have been provided with a legal opinion on the title property issued by the Group's PRC legal adviser, which contains, inter alia, the following information:
 - (i) the lessor of the property has obtained the relevant Building Ownership Certificate of the property and has the right to lease the property;
 - (ii) the tenancy agreement of the property is lawful, valid and legally binding;
 - (iii) the tenancy agreement has not been registered but it will not affect the validity of the tenancy agreement under the PRC laws;
 - (iv) the lessor has pledged the property to a third party. If the lessor does not repay the mortgage in order and the bank exercise the mortgagee rights, the rights of the lessee under the tenancy agreement will not be protected by the law. The Executive Director of the Group, Luo Lin, has provided a personal guarantee to bear any loss and costs and will provide substitute premises to the lessee if the lessee cannot occupy the property; and
 - (v) the proposed use of the property is in compliance with the prescribed use.

	Property	Description and tenancy particulars	Particulars of occupancy	Capital value in existing state as at 30 September 2007
23.	Industry building at the south of No. 34, Beijing Vehicle Gangquan Main Factory, No.4 Dongda Street, Nankou Town, Changping District, Beijing, PRC	<p>The property comprises portion of a single storey industrial building completed in 1986.</p> <p>The gross floor area of the property is approximately 1,525.23 sq.m. (16,418 sq.ft.).</p> <p>The property is leased to the Group for a term commencing on 1 October 2007 and expiring on 30 September 2015 at an annual rental of RMB194,848.</p>	The property will be occupied by the Group for workshop purpose.	No commercial value

Notes:

1. The property is leased from Beijing Vehicle Gangquan Main Factory (北京市汽車鋼圈總廠), an independent third party to the Company, to Beijing Huarme Petroleum Technology Co., Ltd. (北京華瑞美爾石油科技有限公司), a 66.67% interest owned subsidiary of the Company.
2. We have been provided with a legal opinion on the title property issued by the Group's PRC legal adviser, which contains, inter alia, the following information:
 - (i) the lessor of the property has obtained the relevant Building Ownership Certificate of the property and has the right to lease the property;
 - (ii) the tenancy agreement of the property is lawful, valid and legally binding;
 - (iii) the tenancy agreement has not been registered but it will not affect the validity of the tenancy agreement under the PRC laws;
 - (iv) the lessor has pledged the property to a third party. If the lessor does not repay the mortgage in order and the bank exercise the mortgagee rights, the rights of the lessee under the tenancy agreement will not be protected by the law. The Executive Director of the Group, Luo Lin, has provided a personal guarantee to bear any loss and costs and will provide substitute premises to the lessee if the lessee cannot occupy the property; and
 - (v) the proposed use of the property is in compliance with the prescribed use.

APPENDIX VI SUMMARY OF THE PRC LEGAL AND REGULATORY PROVISIONS

REGULATORY OVERVIEW OF PRC LAWS

This section summarizes the principal PRC regulations relating to the businesses of our PRC Subsidiaries.

Industrial Policy

The Provisions on Foreign Investment Guidance (“Provisions”) were promulgated by the State Council and took effect on April 1, 2002. Pursuant to the Provisions, foreign invested projects fall into four categories: encouraged, permitted, restricted and prohibited.

On November 30, 2004, the National Development and Reform Commission and the Ministry of Commerce jointly issued the current Foreign Investment Industrial Guidance Catalogue which came into effect on January 1, 2005. Our investments in the PRC are regulated by the foregoing industrial policies.

The core business of our PRC Subsidiaries is oilfield services business and production of relevant tools and equipment related to oil extraction, which fall within the permitted category for foreign investments. In addition, our PRC subsidiary, Anton Oil, is also engaged in wholesale and commission sale of oil equipment, which falls within the restricted category and requires prior approval from MOFCOM or its authorized provincial branch. Anton Oil has obtained such approval in accordance with the Measures for Administration on Foreign Investments in Commercial Area promulgated by MOFCOM in 2004 and has duly registered such items in the business scope of its business license.

Pursuant to the Administration Provisions on Foreign Investment in Leasing Industry, any foreign invested enterprise or subsidiary controlled by foreign invested enterprise which is engaged in the leasing business shall obtain approval from the relevant PRC authorities. Xinjiang Tong’ao, a subsidiary of Anton Oil, is engaged in the leasing of oil drilling tools and equipment and has obtained such approval in its business license for the operation of its leasing business.

Regulations on the Administration of Permits for the Production of Industrial Products

The Regulations on the Administration of Permits for the Production of Industrial Products (“Production Permit Regulations”) were promulgated by the State Council on July 9, 2005 and came into force on September 1, 2005. Pursuant to the Production Permit Regulations, the government should implement a system to issue production permits to enterprises which are engaged in the production of products that fall within the required catalogue. Enterprises which manufacture products that fall under the said catalogue should apply for and obtain production permits from designated local authorities. Our relevant PRC subsidiaries which manufacture products that fall within the said catalogue have obtained such permits for production of industrial products.

Foreign Exchange Control

As of January 1, 1994, the PRC government abolished the two-tier exchange rate system between RMB and foreign currencies and substituted it with a unified exchange rate system largely based on market supply and demand. Under the new system the People’s Bank of China publishes a daily exchange rate for RMB based on the previous day’s dealings in the inter-bank foreign exchange market. In light of the introduction of this unified floating exchange rate system, movements in the exchange rate of RMB against other currencies, such as the US\$ and Euro, are to a certain extent subject to market forces.

APPENDIX VI SUMMARY OF THE PRC LEGAL AND REGULATORY PROVISIONS

The PRC State Council promulgated the PRC Regulation for the Foreign Exchange (the “Foreign Exchange Regulations”) on January 29, 1996, which was then amended on January 14, 1997. On June 20, 1996, the People’s Bank of China further promulgated the Regulation on the Foreign Exchange Settlement, Sales and Payment (the “Settlement Regulations”) which came into effect on July 1, 1996. Pursuant to the Foreign Exchange Regulation and the Settlement Regulation, foreign currencies required for distribution of profits and payment of dividends may be purchased from designated foreign exchange banks in the PRC upon presentation of board resolution authorizing distribution of profits or payment of dividends. The Settlement Regulation removes the previous restrictions on convertibility of foreign exchange in respect of current account items whilst retaining restrictions on foreign exchange transactions in respect of capital account items. Despite such a development, the Renminbi is still not freely convertible.

Under Chinese law, payment of dividends by our Chinese subsidiaries, i.e. Anton Oil, can only be made out of its net income, if any, as determined in accordance with generally accepted accounting principles in China. Anton Oil is also required by Chinese law to set aside a portion of its net income each year for certain reserve fund, employment encouragement and welfare fund and enterprise development fund. The reserve fund shall be funded unless it has reached 50% or more of its registered capital. These reserves are not distributable as dividends. Moreover, any transfer of funds from us to our Chinese subsidiaries, either as a shareholder loan or as an increase in registered capital, is subject to registration with or approval by Chinese governmental authorities, including the relevant foreign exchange regulatory authority and/or the relevant examining and approval authority.

The State Administration of Foreign Exchange (“SAFE”) issued a public notice in October 2005 requiring PRC residents to register or file with the local branch of SAFE before establishing or controlling any company outside of China for the purpose of capital financing with assets or equities of PRC companies, referred to in the notice as an offshore special purpose vehicle (“SPV”). PRC residents who are beneficial owners to such SPV shall amend their SAFE registrations, pursuant to the SAFE notice in the event of any change of their interests in such SPV, in a timely manner. Failure of such PRC residents, including any future beneficial owners of the SPV who are PRC residents, to comply with the registration or filing procedures set forth in the SAFE notice may, among other things, subject such beneficial owners to fines and legal sanctions and may also limit the SPV’s ability to contribute additional capital into its PRC subsidiary, and limit the ability of the PRC subsidiary to distribute dividends to the SPV. Our current beneficial owners who are PRC residents are subject to the SAFE notice and have duly registered or filed with the local branch of SAFE as required under the SAFE notice.

M&A Rules

The Ministry of Commerce and other ministries jointly promulgated the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (the “M&A Rules”), which came into effect on September 8, 2006. According to the M&A Rules, mergers and acquisitions of domestic enterprises by foreign investors shall be reviewed and approved by the Ministry of Commerce or its local branches. Particularly, the establishment of a special purpose vehicle which is controlled by domestic companies or persons and which acquires an equity interest in a domestic company for the purpose of listing overseas, must be approved by the Ministry of Commerce and such special purpose vehicle must obtain the approval of China Securities Regulatory Commission before its public offering and listing overseas. Since our acquisition of Anton Oil was completed before September 8, 2006, our PRC legal advisors have confirmed that the M&A Rules do not apply to our reorganization and listing since the M&A Rules do not have retroactive effect.

High or New Technology Enterprises

The Requirements and Procedures for Recognition of High or New Technology Enterprises in State High or New Technology Industry Development Zones (Amended) were promulgated by the Ministry of Science and Technology and became effective on July 23, 2000. The Requirements and Procedures for Recognition of High or New Technology Enterprises in Beijing were promulgated by Beijing Municipal Science and Technology Commission on July 2, 2001. These two provisions are collectively referred to as the “Requirements”. According to the Requirements, in order to be recognized as a high or new technology enterprise, an enterprise must have a core business related to one or more high or new technology products that fall within the scope provided in the Requirements, and the enterprise must further satisfy other conditions, such as the requirement that scientific and technical employees that have graduated from colleges or above shall constitute 30% or more of its total workforce and that personnel engaged in R&D of high or new technology products shall constitute 10% or more of its workforce. Recognition is subject to review every two years or when the recognized enterprise changes its scope of business, merges with other parties, splits into two or more separate entities or relocates to another place.

The aim of giving such recognition to high or new technology enterprises, through the granting of various preferential treatments, is to accelerate the development of high or new technology industry, and promote the efficiency of research and development of high or new technology and the application of the achievements generated therefrom.

According to Beijing New Technology Industry Development Trial Zone Tentative Regulations promulgated by Beijing Municipal Government on May 20, 1988, as approved by the PRC State Council, and the Reply on the Relevant Enterprise Income Tax Issues Concerning the Area Adjustment of Beijing New Technology Industry Development Trial Zone promulgated by the State Administration of Taxation on March 4, 2002, the income tax rate applicable to new technology enterprises located in the Beijing New Technology Industry Development Trial Zone is 15%, and such enterprises are further entitled to a tax holiday of “three years exemption and three years half” on the basis of such reduced income tax rate from the year the enterprise is established.

Pursuant to the Circular Concerning Various Provisions on Further Promotion of Development of High or New Technology Industries promulgated by Beijing Municipal Government that became effective on January 1, 2002, and other related provisions from the Beijing Municipal Government, high or new technology enterprises (including foreign invested enterprises) which are profitable and have 10% or more annual growth in their R&D expenses, as compared with those of the previous year, are allowed to offset 50% of their actual R&D expenses against their taxable income for that particular year. High or new technology enterprises (including foreign invested enterprises) are further allowed to amortize in two years the expenses incurred during the acquisition of advanced technologies and patents.

Our PRC Subsidiaries, Anton Oil, Foyou Tech, Xiguan Antong and Anton Fenglei have obtained the Certificate for High or new Technology Enterprises, and have enjoyed the relevant tax and other preferential treatments mentioned above.

APPENDIX VI SUMMARY OF THE PRC LEGAL AND REGULATORY PROVISIONS

The PRC Enterprise Income Tax Law (the “EIT Law”) was adopted by the National People’s Congress on March 16, 2007 and will become effective from January 1, 2008. According to the EIT Law, the enterprises income tax rate will be 25%. However, high or new technology enterprises which are specially supported by the State and established in the stipulated districts may enjoy the current preferential tax treatments within a transition period of five years from the effective date of the EIT Law, subject to the detailed provisions to be promulgated by the State Council. As the EIT Law is relatively new, and no further provision has yet been promulgated by the State Council, we are not able to ensure that our PRC Subsidiaries above will continue to enjoy all or any of the abovementioned preferential tax treatments.

Post-doctoral Work Station

Post-doctoral System (the “System”) refers to the establishment of Scientific Research Flow station (“Flow Station”) in universities, colleges, scientific institutions, or Scientific Research Work Station (“Work Station”) in enterprises or other units, to recruit outstanding candidates who have received doctorate degrees for the purpose of conducting scientific research within a given period of time. The purpose of such system is to attract, cultivate and make better use of high level research personnel especially those with creative ability and to establish a more efficient system to optimize human resources and tpromote the connection of industrialization and scientific research.

The Ministry of Personnel of the PRC is the authority in charge of the establishment and implementation of the System. Establishment of a Work Station shall satisfy the following conditions:

- the applicant shall be an independent legal person and is under sound operation conditions;
- has a relatively reasonable operation scale and separate research & development (“R&D”) institution;
- has a high level R&D team and project which relates to creative theory or technology;
- provides good conditions for conducting R&D activities under reasonable living conditions;

The application for the establishment of a Work Station shall be submitted to the authority in charge of personnel affairs at the provincial level for preliminary examination and be finally approved by the Ministry of Personnel.

Post-doctoral candidates shall apply to the enterprise or unit setting up the Work Station and be subject to the examination and decision of the same.

The enterprise or unit which sets up a Work Station shall enter into a written agreement with the recruited post-doctoral candidates to set out the work objectives, requirement for the R&D tasks and other relevant rights and obligations of the parties thereto. The enterprise or unit which sets up the Work Station shall pay the recruited post-doctoral candidates and provide other welfare in accordance with the same standards that apply to its own staff that are of the same or similar level or as otherwise provided in the above-mentioned agreement.

APPENDIX VI SUMMARY OF THE PRC LEGAL AND REGULATORY PROVISIONS

Environmental Protection Law

Promulgated on December 26, 1989, the PRC Environmental Protection Law (“Environmental Protection Law”) sets out the legal framework for environmental protection in the PRC. The purpose of the Environmental Protection Law is to protect and enhance the living environment, to prevent and remove environmental pollution, contamination and other public hazards, and to safeguard public health. The State Administration for Environmental Protection is primarily responsible for the supervision and administration of environmental protection work nationwide and formulating national waste discharge limits and standards. Local environmental protection authorities at county level and above are responsible for the environmental protection in their jurisdictions.

Enterprises which discharge contaminants must report to, and register with, the State Administration for Environmental Protection or their relevant local environmental protection authorities. Enterprises discharging contaminants in excess of the discharge limits or standards prescribed by the central and/or local authorities must pay discharge fees for the treatment of the excessive discharge.

Government authorities can impose different penalties on persons or enterprises in violation of the Environmental Protection Law, depending on the individual circumstances of each case and the extent of contamination. Such penalties include warnings, fines, imposition of deadlines for remedying the contamination, orders to stop production or use, orders to re-install contamination prevention and treatment facilities which have been removed without permission or left unused, administrative actions against relevant responsible persons or enterprises, or orders to close down those enterprises. Where the violation is serious, the persons or enterprises responsible for the violation may be required to pay damages to victims of the contamination. Where serious environmental contamination occurs in violation of the provisions of the Environmental Protection Law which results in serious loss of public and private property, persons or enterprises directly responsible for such contamination may be subject to criminal liabilities.

Laws on the Prevention and Treatment of Water Pollution and Air Pollution

The PRC Law on the Prevention and Treatment of Water Pollution (“Law on the Prevention and Treatment of Water Pollution”) promulgated on May 11, 1984 and the PRC Law for the Prevention and Treatment of Air Pollution (“Law on the Prevention and Treatment of Air Pollution”) promulgated on September 5, 1987 set out the legal framework for the prevention and treatment of water and air pollution. The environmental protection authorities at various levels of the government are required to implement a centralized system of supervision and administration in relation to the prevention and elimination of water and air pollution. The State Environmental Protection Administration formulates the national standards on water and air quality and standards in relation to the discharge of pollutants.

Construction, expansion and alteration projects which discharge pollutants into water or air must comply with relevant regulations. An enterprise which discharges pollutants into water or air must submit a report to the local environmental protection authority specifying details of pollutant discharge facilities and treatment facilities that it has been utilized and the types, quantity and concentration of pollutants it has discharged. It must also provide technical information in respect of pollution prevention and elimination.

APPENDIX VI SUMMARY OF THE PRC LEGAL AND REGULATORY PROVISIONS

The pollutants discharged by enterprises into water or the air shall not exceed the discharge standards stipulated by the central and local authorities. Any sewage charge should be paid according to the types and quantities of pollutants discharged. With regard to any violation of the provisions of the Law on the Prevention and Treatment of Water Pollution or the Law on the Prevention and Treatment of Air Pollution, environmental protection authorities may require the enterprise responsible for such violation to stop the discharge of pollutants and rectify the problem prior to a certain deadline, issue a warning, impose a fine, or suspend/close the enterprise's business. Enterprises which create water or air pollution are responsible for eliminating such hazards, and must compensate those directly affected by the pollution for their losses.

APPENDIX VII SUMMARY OF ARTICLES OF ASSOCIATION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

1 MEMORANDUM OF ASSOCIATION

The restated and amended memorandum of association of the Company (the “Memorandum of Association”) was adopted on November 17, 2007 and states, inter alia, that the liability of members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Cayman Companies Law or any other law of the Cayman Islands.

The Memorandum of Association is available for inspection at the address specified in Appendix VIII in the section headed “Documents available for inspection”.

2 ARTICLES OF ASSOCIATION

The restated and amended articles of association of the Company (the “Articles of Association”) were adopted on November 17, 2007 and include provisions to the following effect:

2.1 Classes of Shares

The share capital of the Company consists of ordinary shares. The capital of the Company at the date of adoption of the restated and amended Articles of Association is HK\$350,000,000 divided into 3,500,000,000 shares of HK\$0.10 each.

2.2 Directors

2.2.1 *Power to allot and issue Shares*

Subject to the provisions of the Cayman Companies Law and the Memorandum and Articles of Association, the unissued shares in the Company (whether forming part of its original or any increased capital) shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration, and upon such terms, as the Directors shall determine.

Subject to the provisions of the Articles of Association and to any direction that may be given by the Company in general meeting and without prejudice to any special rights conferred on the holders of any existing shares or attaching to any class of shares, any share may be issued with or have attached thereto such preferred, deferred, qualified or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise, and to such persons at such time and for such consideration as the Directors may determine. Subject to the Cayman Companies Law and to any special rights conferred on any shareholders or attaching to any class of shares, any share may, with the sanction of a special resolution, be issued on terms that it is, or at the option of the Company or the holder thereof, liable to be redeemed.

**APPENDIX VII SUMMARY OF ARTICLES OF ASSOCIATION OF THE COMPANY
AND CAYMAN ISLANDS COMPANY LAW**

2.2.2 Power to dispose of the assets of the Company or any subsidiary

The management of the business of the Company shall be vested in the Directors who, in addition to the powers and authorities by the Articles of Association expressly conferred upon them, may exercise all such powers and do all such acts and things as may be exercised or done or approved by the Company and are not by the Articles of Association or the Cayman Companies Law expressly directed or required to be exercised or done by the Company in general meeting, but subject nevertheless to the provisions of the Cayman Companies Law and of the Articles of Association and to any regulation from time to time made by the Company in general meeting not being inconsistent with such provisions or the Articles of Association, provided that no regulation so made shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.

2.2.3 Compensation or payment for loss of office

Payment to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must first be approved by the Company in general meeting.

2.2.4 Loans to Directors

There are provisions in the Articles of Association prohibiting the making of loans to Directors and associates which are equivalent to the restrictions imposed by the Companies Ordinance.

2.2.5 Financial assistance to purchase Shares

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries or any holding company or any subsidiary of such holding company in order that they may buy shares in the Company or any such subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

2.2.6 Disclosure of interest in contracts with the Company or any of its subsidiaries

No Director or proposed Director shall be disqualified by his office from contracting with the Company either as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company with any person, company or partnership of or in which any Director shall be a member or otherwise interested be capable on that account of being avoided, nor shall any Director so contracting or being any member or so interested be liable to account to the Company for any profit so realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established, provided that such Director shall, if his interest in such contract or arrangement is material, declare the nature of his interest at the earliest meeting of the board of Directors at which it is practicable for him to do so, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may be made by the Company.

**APPENDIX VII SUMMARY OF ARTICLES OF ASSOCIATION OF THE COMPANY
AND CAYMAN ISLANDS COMPANY LAW**

A Director shall not be entitled to vote on (nor shall he be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his associates has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

- (a) the giving to such Director or any of his associates of any security or indemnity in respect of money lent or obligations incurred by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (b) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or any of his associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (c) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or any of his associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (d) any proposal concerning any other company in which the Director or any of his associates is/are interested only, whether directly or indirectly, as an officer, executive or shareholder or in which the Director or any of his associates is/are beneficially interested in shares of that company, provided that the Director and any of his associates, are not in aggregate beneficially interested in five per cent. or more of the issued shares of any class of such company (or of any third company through which his interest or that of any of his associates is derived) or of the voting rights;
- (e) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:
 - (i) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his associates may benefit;
 - (ii) the adoption, modification or operation of a pension or provident fund or retirement, death or disability benefits scheme which relates both to Directors, their associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or any of his associates as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
 - (iii) any contract or arrangement in which the Director or any of his associates is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his interest in shares or debentures or other securities of the Company.

**APPENDIX VII SUMMARY OF ARTICLES OF ASSOCIATION OF THE COMPANY
AND CAYMAN ISLANDS COMPANY LAW**

2.2.7 Remuneration

The Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by the Directors, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

The Directors shall also be entitled to be paid all expenses, including travel expenses, reasonably incurred by them in or about the performance of their duties as Directors including their expenses of travelling to and from board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who shall perform any special or extra services at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be agreed.

The remuneration of an executive Director or a Director appointed to any other office in the management of the Company shall from time to time be fixed by the Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including share option and/or pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration shall be in addition to such remuneration as the recipient may be entitled to receive as a Director.

2.2.8 Retirement, appointment and removal

The Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next annual general meeting of the Company and shall then be eligible for re-election at that meeting.

The Company may by ordinary resolution remove any Director (including a Managing Director or other executive Director) before the expiration of his period of office notwithstanding anything in the Articles of Association or in any agreement between the Company and such Director (but without prejudice to any claim for compensation or damages payable to him in respect of the termination of his appointment as Director or of any other appointment or office as a result of the termination of his appointment as Director). The Company may by ordinary resolution appoint another person in his place. Any Director so appointed shall hold office during such time only as the Director in whose place he is appointed would have held the same if he had not been removed. The Company may also by ordinary resolution elect any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. No person shall,

**APPENDIX VII SUMMARY OF ARTICLES OF ASSOCIATION OF THE COMPANY
AND CAYMAN ISLANDS COMPANY LAW**

unless recommended by the Directors, be eligible for election to the office of Director at any general meeting unless, during the period, which shall be at least seven days, commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the Secretary of the Company notice in writing by a member of the Company (not being the person to be proposed) entitled to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The office of a Director shall be vacated:

- (a) if he resigns his office by notice in writing to the Company at its registered office or its principal office in Hong Kong;
- (b) if an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Directors resolve that his office be vacated;
- (c) if, without leave, he is absent from meetings of the Directors (unless an alternate Director appointed by him attends) for 12 consecutive months, and the Directors resolve that his office be vacated;
- (d) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (e) if he ceases to be or is prohibited from being a Director by law or by virtue of any provision in the Articles of Association;
- (f) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) for the time being then in office; or
- (g) if he shall be removed from office by an ordinary resolution of the members of the Company under the Articles of Association.

At every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

**APPENDIX VII SUMMARY OF ARTICLES OF ASSOCIATION OF THE COMPANY
AND CAYMAN ISLANDS COMPANY LAW**

2.2.9 Borrowing powers

The Directors may from time to time at their discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof.

The rights of the Directors to exercise these powers may only be varied by a special resolution.

2.2.10 Proceedings of the Board

The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit in any part of the world. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.3 Alteration to constitutional documents

No alteration or amendment to the Memorandum or Articles of Association may be made except by special resolution.

2.4 Variation of rights of existing shares or classes of shares

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Cayman Companies Law, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate meeting all the provisions of the Articles of Association relating to general meetings shall *mutatis mutandis* apply, but so that the quorum for the purposes of any such separate meeting and of any adjournment thereof shall be a person or persons together holding (or representing by proxy or duly authorised representative) at the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class, and that any holder of shares of the class present in person (or in the case of corporation, by its duly authorised representative) or by proxy may demand a poll.

The special rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

2.5 Alteration of Capital

The Company in general meeting may, from time to time, whether or not all the shares for the time being authorised shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by ordinary resolution, increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts as the resolution shall prescribe.

The Company may from time to time by ordinary resolution:

- 2.5.1 consolidate and divide all or any of its share capital into shares of larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;
- 2.5.2 cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled subject to the provisions of the Cayman Companies Law; and
- 2.5.3 sub-divide its shares of any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the provisions of the Cayman Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the company has power to attach to unissued or new shares.

The Company may by special resolution reduce its share capital or any capital redemption reserve in any manner authorised and subject to any conditions prescribed by the Cayman Companies Law.

2.6 Special resolution — majority required

A "special resolution" is defined in the Articles of Association to have the meaning ascribed thereto in the Cayman Companies Law, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been

**APPENDIX VII SUMMARY OF ARTICLES OF ASSOCIATION OF THE COMPANY
AND CAYMAN ISLANDS COMPANY LAW**

duly given and includes a special resolution approved in writing by all of the members of the Company entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, an “ordinary resolution” is defined in the Articles of Association to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

2.7 Voting rights (generally, on a poll and right to demand a poll)

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a show of hands every member of the Company who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) shall have one vote, and on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for each share registered in his name in the register of members of the Company.

Where any member of the Company is, under the Listing Rules, required to abstain from voting on any particular resolution or is restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

A member of the Company in respect of whom an order has been made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs may vote, whether on a show of hands or on a poll, by any person authorised in such circumstances to do so and such person may vote on a poll by proxy.

Save as expressly provided in the Articles of Association or as otherwise determined by the Directors, no person other than a member of the Company duly registered and who shall have paid all sums for the time being due from him payable to the Company in respect of his shares shall be entitled to be present or to vote (save as proxy for another member of the Company), or to be counted in a quorum, either personally or by proxy at any general meeting.

APPENDIX VII SUMMARY OF ARTICLES OF ASSOCIATION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is duly demanded or otherwise required under the Listing Rules. A poll may be demanded by:

- 2.7.1 the chairman of the meeting; or
- 2.7.2 at least five members of the Company present in person (or in the case of a corporation, by its duly authorised representative) or by proxy and entitled to vote; or
- 2.7.3 any member or members of the Company present in person (or in the case of a corporation, by its duly authorised representative) or by proxy and representing in the aggregate not less than one-tenth of the total voting rights of all members of the Company having the right to attend and vote at the meetings; or
- 2.7.4 any member or members of the Company present in person (or in the case of a corporation, by its duly authorised representative) or by proxy and holding shares conferring a right to attend and vote at the meeting on which there have been paid up sums in the aggregate equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

On a poll votes may be given either personally or by proxy.

If a recognised clearing house (or its nominee) is a member of the Company it may authorise such person or persons as it thinks fit to act as its proxy(ies) or representative(s) at any general meeting of the Company or at any general meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognised clearing house (or its nominee) which he represents as that recognised clearing house (or its nominee) could exercise if it were an individual member of the Company holding the number and class of shares specified in such authorisation.

2.8 Annual general meetings

The Company shall in each year hold a general meeting as its annual general meeting in addition to any other general meeting in that year and shall specify the meeting as such in the notice calling it; and not more than 15 months (or such longer period as the Stock Exchange may authorise) shall elapse between the date of one annual general meeting of the Company and that of the next.

2.9 Accounts and audit

The Directors shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions and otherwise in accordance with the Cayman Companies Law.

APPENDIX VII SUMMARY OF ARTICLES OF ASSOCIATION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

The Directors shall from time to time determine whether, and to what extent, and at what times and places and under what conditions or regulations, the accounts and books of the Company, or any of them, shall be open to the inspection of members of the Company (other than officers of the Company) and no such member shall have any right of inspecting any accounts or books or documents of the Company except as conferred by the Cayman Companies Law or any other relevant law or regulation or as authorised by the Directors or by the Company in general meeting.

The Directors shall, commencing with the first annual general meeting, cause to be prepared and to be laid before the members of the Company at every annual general meeting a profit and loss account for the period, in the case of the first account, since the incorporation of the Company and, in any other case, since the preceding account, together with a balance sheet as at the date at which the profit and loss account is made up and a Director's report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditor's report on such accounts and such other reports and accounts as may be required by law. Copies of those documents to be laid before the members of the Company at an annual general meeting shall not less than 21 days before the date of the meeting, be sent in the manner in which notices may be served by the Company as provided in the Articles of Association to every member of the Company and every holder of debentures of the Company provided that the Company shall not be required to send copies of those documents to any person of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.

The Company shall at any annual general meeting appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed provided that in respect of any particular year the Company in general meeting may delegate the fixing of such remuneration to the Directors.

2.10 Notice of meetings and business to be conducted thereat

An annual general meeting and any extraordinary general meeting called for the passing of a special resolution shall be called by not less than 21 days' notice in writing and any other extraordinary general meeting shall be called by not less than 14 days' notice in writing. The notice shall be inclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the time, place and agenda of the meeting, particulars of the resolutions to be considered at the meeting and, in the case of special business, the general nature of that business. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Notice of every general meeting shall be given to the auditors and all members of the Company (other than those who, under the provisions of the Articles of Association or the terms of issue of the shares they hold, are not entitled to receive such notice from the Company).

**APPENDIX VII SUMMARY OF ARTICLES OF ASSOCIATION OF THE COMPANY
AND CAYMAN ISLANDS COMPANY LAW**

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

- (a) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat or their proxies; and
- (b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95 per cent. in nominal value of the shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (a) the declaration and sanctioning of dividends;
- (b) the consideration and adoption of the accounts and balance sheets and the reports of the Directors and the auditors and other documents required to be annexed to the balance sheet;
- (c) the election of Directors in place of those retiring;
- (d) the appointment of auditors;
- (e) the fixing of, or the determining of the method of fixing of, the remuneration of the Directors and of the auditors;
- (f) the granting of any mandate or authority to the Directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than 20 per cent. (or such other percentage as may from time to time be specified in the Listing Rules) in nominal value of its then existing issued share capital and the number of any securities repurchased pursuant to sub-paragraph (g) below; and
- (g) the granting of any mandate or authority to the Directors to repurchase securities of the Company.

2.11 Transfer of Shares

Transfers of shares may be effected by an instrument of transfer in the usual common form or in such other form as the Directors may approve which is consistent with the standard form of transfer as prescribed by the Stock Exchange.

The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof. All instruments of transfer shall be retained by the Company.

APPENDIX VII SUMMARY OF ARTICLES OF ASSOCIATION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

The Directors may refuse to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

- (a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be cancelled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;
- (b) the instrument of transfer is in respect of only one class of shares;
- (c) the instrument of transfer is properly stamped (in circumstances where stamping is required);
- (d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;
- (e) the shares concerned are free of any lien in favour of the Company; and
- (f) a fee of such maximum as the Stock Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to the Company in respect thereof.

If the Directors refuse to register a transfer of any share they shall, within two months after the date on which the instrument of transfer was lodged with the Company, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on 14 days' notice being given by advertisement in the newspaper or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, be suspended and the register of members of the Company closed at such times for such periods as the Directors may from time to time determine, provided that the registration of transfers shall not be suspended or the register closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

2.12 Power of the Company to purchase its own Shares

The Company is empowered by the Cayman Companies Law and the Articles of Association to purchase its own shares subject to certain restrictions and the Directors may only exercise this power on behalf of the Company subject to the authority of its members in general meeting as to the manner in which they do so and to any applicable requirements imposed from time to time by the Stock Exchange and the Securities and Futures Commission of Hong Kong.

2.13 Power of any subsidiary of the Company to own Shares

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

**APPENDIX VII SUMMARY OF ARTICLES OF ASSOCIATION OF THE COMPANY
AND CAYMAN ISLANDS COMPANY LAW**

2.14 Dividends and other methods of distributions

Subject to the Cayman Companies Law and Articles of Association, the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Directors. No dividend may be declared or paid other than out of profits and reserves of the Company lawfully available for distribution, including share premium.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may also pay half-yearly or at other intervals to be selected by them at a fixed rate if they are of the opinion that the profits available for distribution justify the payment.

The Directors may retain any dividends or other moneys payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may also deduct from any dividend or other monies payable to any member of the Company all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

No dividend shall carry interest against the Company.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to a holder of shares may be paid by cheque or warrant sent through the post addressed to the registered address of the member of the Company entitled, or in the case of joint holders, to the registered address of the person whose name stands first in the register of members of the Company in respect of the joint holding to such person and to such address as the holder or joint holders may in writing direct. Every cheque or warrant so sent shall be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register of members of the Company in respect of such shares, and shall be sent at his or their risk and the payment

**APPENDIX VII SUMMARY OF ARTICLES OF ASSOCIATION OF THE COMPANY
AND CAYMAN ISLANDS COMPANY LAW**

of any such cheque or warrant by the bank on which it is drawn shall operate as a good discharge to the Company in respect of the dividend and/or bonus represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. The Company may cease sending such cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions. However, the Company may exercise its power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Any dividend unclaimed for six years from the date of declaration of such dividend may be forfeited by the Directors and shall revert to the Company.

The Directors may, with the sanction of the members of the Company in general meeting, direct that any dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets and may determine that cash payments shall be made to any members of the Company upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.

2.15 Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. A proxy need not be a member of the Company.

Instruments of proxy shall be in common form or in such other form as the Directors may from time to time approve provided that it shall enable a member to instruct his proxy to vote in favour of or against (or in default of instructions or in the event of conflicting instructions, to exercise his discretion in respect of) each resolution to be proposed at the meeting to which the form of proxy relates. The instrument of proxy shall be deemed to confer authority to demand or join in demanding a poll and to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates provided that the meeting was originally held within 12 months from such date.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney authorised in writing or if the appointor is a corporation either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.

APPENDIX VII SUMMARY OF ARTICLES OF ASSOCIATION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

The instrument appointing a proxy and (if required by the Directors) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered at the registered office of the Company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

2.16 Calls on Shares and forfeiture of Shares

The Directors may from time to time make calls upon the members of the Company in respect of any moneys unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times and each member of the Company shall (subject to the Company serving upon him at least 14 days' notice specifying the time and place of payment) pay to the Company at the time and place so specified the amount called on his shares. A call may be revoked or postponed as the Directors may determine. A person upon whom a call is made shall remain liable on such call notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call may be made payable either in one sum or by instalments and shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and instalments due in respect of such share or other moneys due in respect thereof.

If a sum called in respect of a share shall not be paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate, not exceeding 15 per cent. per annum, as the Directors may determine, but the Directors shall be at liberty to waive payment of such interest wholly or in part.

If any call or instalment of a call remains unpaid on any share after the day appointed for payment thereof, the Directors may at any time during such time as any part thereof remains unpaid serve a notice on the holder of such shares requiring payment of so much of the call or instalment as is unpaid together with any interest which may be accrued and which may still accrue up to the date of actual payment.

The notice shall name a further day (not being less than 14 days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment on or before the time and at the place appointed, the shares in respect of which such call was made or instalment is unpaid will be liable to be forfeited.

If the requirements of such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or instalments and interest due in respect

**APPENDIX VII SUMMARY OF ARTICLES OF ASSOCIATION OF THE COMPANY
AND CAYMAN ISLANDS COMPANY LAW**

thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited shares and not actually paid before the forfeiture. A forfeited share shall be deemed to be the property of the Company and may be sold, re-allotted or otherwise disposed of.

A person whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares but shall, notwithstanding the forfeiture, remain liable to pay to the Company all moneys which at the date of forfeiture were payable by him to the Company in respect of the shares, together with (if the Directors shall in their discretion so require) interest thereon at such rate not exceeding 15 per cent. per annum as the Directors may prescribe from the date of forfeiture until payment, and the Directors may enforce payment thereof without being under any obligation to make any allowance for the value of the shares forfeited, at the date of forfeiture.

2.17 Inspection of register of members

The register of members of the Company shall be kept in such manner as to show at all times the members of the Company for the time being and the shares respectively held by them. The register may, on 14 days' notice being given by advertisement in the newspapers, or subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association be closed at such times and for such periods as the Directors may from time to time determine either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

Any register of members kept in Hong Kong shall during normal business hours (subject to such reasonable restrictions as the Directors may impose) be open to inspection by any member of the Company without charge and by any other person on payment of such fee not exceeding HK\$2.50 (or such higher amount as may from time to time be permitted under the Listing Rules) as the Directors may determine for each inspection.

2.18 Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment, choice or election of a chairman which shall not be treated as part of the business of the meeting.

Two members of the Company present in person or by proxy shall be a quorum provided always that if the Company has only one member of record the quorum shall be that one member present in person or by proxy.

A corporation being a member of the Company shall be deemed for the purpose of the Articles of Association to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation or by power of attorney to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

APPENDIX VII SUMMARY OF ARTICLES OF ASSOCIATION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in sub-paragraph 2.4 above.

2.19 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

2.20 Procedure on liquidation

If the Company shall be wound up, and the assets available for distribution amongst the members of the Company as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members of the Company in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively. And if in a winding up the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members of the Company in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. The foregoing is without prejudice to the rights of the holders of shares issued upon special terms and conditions.

If the Company shall be wound up, the liquidator may with the sanction of a special resolution of the Company and any other sanction required by the Cayman Companies Law, divide amongst the members of the Company in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members of the Company. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like sanction and subject to the Cayman Companies Law, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

2.21 Untraceable members

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (i) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) the Company has not during that time or before the expiry of the three month period referred to in (iv) below received any indication of the whereabouts or existence of the member; (iii) during the 12 year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (iv) upon expiry of the 12 year period, the Company has caused an advertisement to be published in the newspapers or subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, giving notice of

APPENDIX VII SUMMARY OF ARTICLES OF ASSOCIATION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

SUMMARY OF CAYMAN ISLANDS COMPANY LAW AND TAXATION

1 Introduction

The Cayman Companies Law is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Cayman Companies Law and the current Companies Act of England. Set out below is a summary of certain provisions of the Cayman Companies Law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

2 Incorporation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on August 3, 2007 under the Cayman Companies Law. As such, its operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorised share capital.

3 Share capital

The Cayman Companies Law permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Cayman Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premia on those shares shall be transferred to an account called the “share premium account”. At the option of a company, these provisions may not apply to premia on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Cayman Companies Law provides that the share premium account may be applied by a company, subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation:

- (a) paying distributions or dividends to members;
- (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (c) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Cayman Companies Law);
- (d) writing-off the preliminary expenses of the company;

**APPENDIX VII SUMMARY OF ARTICLES OF ASSOCIATION OF THE COMPANY
AND CAYMAN ISLANDS COMPANY LAW**

- (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and
- (f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid the company will be able to pay its debts as they fall due in the ordinary course of business.

The Cayman Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

Subject to the detailed provisions of the Cayman Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner of purchase, a company cannot purchase any of its own shares unless the manner of purchase has first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

4 Dividends and distributions

With the exception of section 34 of the Cayman Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of the Cayman Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see 3 above for further details).

5 Shareholders' suits

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is *ultra vires* the

**APPENDIX VII SUMMARY OF ARTICLES OF ASSOCIATION OF THE COMPANY
AND CAYMAN ISLANDS COMPANY LAW**

company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

6 Protection of minorities

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

7 Disposal of assets

The Cayman Companies Law contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

8 Accounting and auditing requirements

The Cayman Companies Law requires that a company shall cause to be kept proper books of account with respect to:

- (a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;
- (b) all sales and purchases of goods by the company; and
- (c) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

9 Register of members

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may, from time to time, think fit. There is no requirement under the Cayman Companies Law for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

10 Inspection of books and records

Members of a company will have no general right under the Cayman Companies Law to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

11 Special resolutions

The Cayman Companies Law provides that a resolution is a special resolution when it has been passed by a majority of not less than two-thirds (or such greater number as may be specified in the articles of association of the company) of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorised by the articles of association of the company.

12 Subsidiary owning shares in parent

The Cayman Companies Law does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

13 Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing 75 per cent. in value of shareholders or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court of the Cayman Islands is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

**APPENDIX VII SUMMARY OF ARTICLES OF ASSOCIATION OF THE COMPANY
AND CAYMAN ISLANDS COMPANY LAW**

14 Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90 per cent. of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

15 Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

16 Liquidation

A company is placed in liquidation either by an order of the court or by a special resolution (or, in certain circumstances, an ordinary resolution) of its members. A liquidator is appointed whose duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

17 Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

18 Taxation

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has been granted an undertaking from the Governor in Cabinet:

- (a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and
- (b) in addition, that no tax to be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
 - (i) on or in respect of the shares, debentures or other obligations of the Company; or
 - (ii) by way of withholding in whole or in part of any relevant payment as defined in Section 6(3) of the Tax Concession Law (1999 Revision).

**APPENDIX VII SUMMARY OF ARTICLES OF ASSOCIATION OF THE COMPANY
AND CAYMAN ISLANDS COMPANY LAW**

The undertaking is for a period of twenty years from August 14, 2007.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

19 Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

20 General

Maples and Calder, the Company's legal advisors on Cayman Islands law, have sent to the Company a letter of advice summarising aspects of Cayman Islands company law. This letter, together with a copy of the Cayman Companies Law, is available for inspection as referred to in the section headed "Documents available for inspection" in Appendix IX. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT THE COMPANY AND ITS SUBSIDIARIES**1. Incorporation**

The Company was incorporated in the Cayman Islands under the Cayman Companies Law as an exempted company with limited liability on August 3, 2007. The Company has established a place of business in Hong Kong at 8th Floor, Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong and was registered with the Registrar of Companies in Hong Kong as an oversea company under Part XI of the Companies Ordinance on November 21, 2007. Ngai Wai Fung of 26A Wah Shan Mansion, 17 Tai Koo Shing Road, Quarry Bay, Hong Kong has been appointed as the authorized representative of the Company for the acceptance of service of process in Hong Kong.

As the Company was incorporated in the Cayman Islands, it operates subject to the Cayman Companies Law and to its constitution comprising a memorandum of association and the articles of association. A summary of certain provisions of the articles of association of the Company and relevant aspects of the Companies Law is set out in Appendices VII to this prospectus.

2. Change in share capital

The authorized share capital of the Company as at the date of its incorporation was HK\$100,000 divided into 1,000,000 shares of HK\$0.10 each.

On August 14, 2007, one subscriber share with the par value of HK\$0.10 of the Company was transferred to the Parent Company.

Pursuant to the resolutions in writing of the shareholder of the Company passed on November 17, 2007, the authorized share capital of the Company was increased from HK\$100,000 to HK\$350,000,000 by the creation of an additional 3,499,000,000 Shares.

Immediately following completion of the Global Offering and the Capitalization Issue but not taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme, the issued share capital of the Company will be HK\$206,725,000 divided into 2,067,250,000 Shares, all fully paid or credited as fully paid and 1,432,750,000 Shares will remain unissued.

Save for aforesaid and as mentioned in the paragraph headed "Resolutions in writing of the sole shareholder of the Company passed on November 17, 2007" below, there has been no alteration in the share capital of the Company since its incorporation.

3. Resolutions in writing of the sole shareholder of the Company passed on November 17, 2007

Pursuant to the resolutions in writing of the sole shareholder of the Company passed on November 17, 2007, among others:

- (a) the Company approved and adopted the Articles of Association;
- (b) the authorized share capital of the Company was increased from HK\$100,000 to HK\$350,000,000 by the creation of an additional 3,499,000,000 Shares;

- (c) conditional on (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue, Shares to be issued pursuant to the Capitalization Issue and to be issued as mentioned in this prospectus (including any additional Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option or options which may be granted under the Share Option Scheme); (ii) the entering into of the agreement on the Offer Price between the Joint Bookrunners and the Company on the Price Determination Date; and (iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms therein or otherwise, in each case on or before such dates as may be specified in the Underwriting Agreements:
- (i) the Global Offering was approved and the Directors were authorized to allot and issue the new Shares pursuant to the Global Offering;
 - (ii) the Over-allotment Option was approved and the Directors were authorized to effect the same and to allot and issue the Shares which are required to be issued upon the exercise of the Over-allotment Option;
 - (iii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed “Share Option Scheme” under the section headed “Other information” in this appendix, were approved and adopted and the Directors were authorized to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options granted under the Share Option Scheme; and
 - (iv) conditional on the share premium account of the Company being credited as a result of the issue of the Offer Shares by the Company pursuant to the Global Offering, the Directors were authorized to capitalize HK\$154,625,000 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 1,546,250,000 Shares. Such Shares to be allotted and issued to the shareholders of the Company on the register of members of the Company at 7:00 a.m. (Hong Kong time) on the Listing Date.
- (d) a general unconditional mandate was given to the Directors to allot, issue and deal with (including the power to make an offer or agreement, or grant securities which would or might require Shares to be allotted and issued), otherwise than pursuant to a rights issue or pursuant to any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles or pursuant to the grant of options under the Share Option Scheme or other similar arrangement or pursuant to a specific authority granted by the Shareholders in general meeting, unissued Shares with a total nominal value not exceeding 20% of the aggregate nominal value of the share capital of the Company in issue immediately following completion of the Global Offering and Capitalization Issue (but taking no account of any Shares which may be issued and allotted pursuant to the exercise of the Over-allotment Option), such mandate to remain in effect until the conclusion of the next annual general meeting of the Company, or the expiration of the period within which the next annual general meeting of the Company is required by the Articles or any applicable laws to be held, or until revoked or varied by an ordinary resolution of the Shareholders in general meeting, whichever occurs first;

- (e) a general unconditional mandate was given to the Directors authorizing them to exercise all powers of the Company to repurchase on the Stock Exchange or on any other approved stock exchange on which the securities of the Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose such number of Shares as will represent up to 10% of the aggregate nominal amount of the share capital of the Company in issue immediately following completion of the Global Offering (but taking no account of any Shares which may be issued and allotted pursuant to the exercise of the Over-allotment Option), such mandate to remain in effect until the conclusion of the next annual general meeting of the Company, or the expiration of the period within which the next annual general meeting of the Company is required by the Articles or any applicable laws to be held, or until revoked or varied by an ordinary resolution of the Shareholders in general meeting, whichever occurs first; and
- (f) the general unconditional mandate mentioned in paragraph (d) above was extended by the addition to the aggregate nominal value of the share capital of the Company which may be allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of the Company repurchased by the Company pursuant to the mandate to repurchase Shares referred to in paragraph (e) above.

4. Corporate reorganization

(A) The Reorganization, which was effected in preparation for the listing, involved the following:

(i) *Reorganization of the domestic companies*

Anton Oil

- (a) On December 1, 2005, Foyou Tech transferred a 55% interest in Anton Oil to Anton Energy and a 5% interest in Anton Oil to Li Man. At the same time of the transfers, the registered capital of Anton Oil was increased from RMB10,000,000 to RMB50,000,000 by Anton Energy contributing non-patented proprietary technology valued at RMB40,000,000 to Anton Oil.
- (b) On June 30, 2006, Li Man transferred her 1% interest in Anton Oil to Anton Energy.

Anton Tong'ao

- (c) On June 10, 2006, Anton Energy and Xinjiang Tong'ao transferred their 99% and 1% interests in Anton Tong'ao to Anton Oil.

Xinjiang Tong'ao

- (d) On December 16, 2005, Luo Lin, He Zhigang and Anton Energy transferred 9.72%, 1.08% and 45% interests in Xinjiang Tong'ao to Anton Oil.
- (e) On June 10, 2006, Anton Energy transferred its 1% interest in Xinjiang Tong'ao to Anton Oil.

(f) On August 20, 2006, Anton Energy contributed RMB1,000,000 and increased the registered capital of Xinjiang Tong'ao from RMB50,000,000 to RMB51,000,000.

(g) On September 3, 2006, Anton Energy transferred its 1.96% interest in Xinjiang Tong'ao to Anton Oil.

Foyou Tech

(h) On March 14, 2005, Luo Lin and Ma Jianmin transferred their 78.43% and 19.57% interests in Foyou Tech respectively to Anton Energy, and Ma Jianmin transferred a 0.04% interest to Li Man.

(i) On December 6, 2005, Anton Energy and Li Man respectively transferred 97% and 2% interests in Foyou Tech to Anton Oil.

Xiguan Antong

(j) On December 20, 2005, Mang Zhiying transferred his 10% interest in Xiguan Antong to Wang Shihong. At the same time of the transfer, Anton Oil increased the registered capital of Xiguan Antong to RMB10,000,000 by contributing non-patented proprietary technology valued at RMB9,500,000.

(k) On April 30, 2006, Anton Oil transferred a 46.55% interest in Xiguan Antong to Wang Shihong.

Anton Fenglei

(l) On July 30, 2006, Foyou Tech transferred its 20% in Anton Fenglei to Anton Oil.

(m) On September 6, 2006, Anton Energy contributed RMB100,000 and increased the registered capital of Anton Fenglei from RMB1,000,000 to RMB1,100,000.

(n) On September 11, 2006, Anton Energy transferred its 9.09% interest in Anton Fenglei to Anton Oil.

Tongsheng Well

(o) On July 30, 2006, Fan Yonghong transferred his 22.5% in Tongsheng Well to Anton Oil.

(p) On September 2, 2006, Anton Energy contributed RMB1,000,000 and increased the registered capital of Tongsheng Well from RMB10,000,000 to RMB11,000,000.

(q) On September 14, 2006, Anton Energy transferred its 9.09% interest in Tongsheng Well to Anton Oil.

Zhongji Hengtong

(r) On March 14, 2005, Wu Dongfang and Chen Wei respectively transferred their 30% and 10% interests in Zhongji Hengtong to Anton Energy.

- (s) On July 30, 2006, Anton Energy transferred its 40% interest in Zhongji Hengtong to Anton Oil.
- (ii) ***Acquisition of Anton Oil***
 - (a) Pro Development was set up to act as the holding company for the interest of Luo Lin and an employee of the Group in the Company.
 - (b) Anton Management was set up to act as the holding company for the interest of Ma Jian and He Zhigang and other employees of the Group in the Company.
 - (c) On July 10, 2006 Parent Company was incorporated in the Cayman Islands.
 - (d) On August 7, 2006, Parent Company acquired the entire issued share capital of Anton Oil from Anton Energy for a consideration of RMB75,630,000 and converted Anton Oil into a wholly foreign-owned enterprise.
- (iii) ***Series A Financing***
 - (a) On August 11, 2006, a subscription agreement (the “Series A Financing”) was entered into by and between, amongst others, Parent Company, Erdos and Chengwei, pursuant to which Erdos and Chengwei have subscribed 18,000,000 and 7,000,000 series A preferred shares of Parent Company for an aggregate subscription price of US\$25,000,000.
 - (b) Each of the ordinary shares of US\$1.00 each in the capital of Parent Company was sub-divided into 1,000 shares of US\$0.001 each. The authorized share capital of Parent Company was increased to US\$375,000 divided into 125,000,000 ordinary shares of US\$0.001 each and 25,000,000 Series A Shares of US\$0.01 each.
- (iv) ***Series B Financing***
 - (a) On June 14, 2007, a subscription agreement was entered into by and between, amongst others, Parent Company, Erdos and Chengwei, pursuant to which Erdos and Chengwei have agreed to subscribe 7,000,000 and 2,250,000 series B preferred shares of Parent Company for an aggregate subscription price of US\$18,500,000.
 - (b) Pursuant to the Series B Financing, Pro Development transferred 526,316 ordinary shares in Parent Company to Chengwei and the authorised share capital of Parent Company was also increased to US\$467,500 divided into 125,000,000 ordinary shares of US\$0.001 each, 25,000,000 Series A Shares of US\$0.01 each, and 9,250,000 Series B Shares of US\$0.01 each.
- (v) ***Incorporation of our Company and shares swap***
 - (a) Our Company was incorporated in the Cayman Islands on August 3, 2007. Pure Energy Investment Limited, an intermediate holding company of our company (“Holdco”) was incorporated in Hong Kong on August 17, 2007.

- (b) On September 27, 2007, a sale and purchase agreement was entered into between the Parent Company and us pursuant to which the Parent Company transferred its 100% interest in Anton Oil to us in consideration of us allotting and issuing 999,999 Shares to the Company and credited the one unpaid share held by the Parent Company as fully-paid.
- (c) Immediately after completion of the transfer set out in paragraph (b) above, we transferred our 100% interest in Anton Oil to Holdco in consideration of Holdco's allotment and issue of 99 shares to us.
- (d) Immediately prior to the Listing, the Parent Company repurchased the shares held by each of Anton Management and Forever Mark Group Limited and in consideration transferred 5.68% and 16.07% of the Shares it holds in our Company to Anton Management and Forever Mark Group Limited, respectively.
- (e) Immediately prior to the Listing, the Parent Company will repurchase the shares held by each of Erdos and Chengwei and in consideration transferred 24.33% and 9.48% of the Shares it holds in our Company to Erdos and Chengwei, respectively.
- (f) Immediately prior to the Listing, the Parent Company will transfer all its interest in our Company, representing approximately 44.54% of our issued share capital to Pro Development in consideration of which Pro Development will issue 100 shares credited as fully paid in its share capital to Luo Lin, as directed by the Parent Company. After such transfers, the Parent Company is no longer interested in any of our Shares.

5. Changes in share capital of subsidiaries

The Company's subsidiaries are referred to in the Accountants' Report, the text of which is set out in Appendix I to this prospectus. Save as disclosed below, there has been no alteration in the share capital of any of the subsidiaries of the Company within the two years immediately preceding the date of this prospectus:

- (a) On December 13, 2005, Anton Oil increased its registered capital from RMB10 million to RMB50 million
- (b) On December 2005, Xinjing Tong'ao increased its registered capital from RMB20 million to RMB50 million
- (c) on January 25, 2006, Xiguan Antong increased its registered capital from RMB500,000 to RMB10,000,000;
- (d) on August 15, 2006, Xinjiang Tong'ao increased its registered capital from RMB50,000,000 to RMB51,000,000;
- (e) on September 11, 2006, Tongsheng Well increased its registered capital from RMB10,000,000 to RMB11,000,000; and

- (f) On September 11, 2006, Anton Fenglei increased its registered capital from RMB1 million to RMB1.1 million.
- (g) on December 18, 2006, Anton Oil increased its registered capital from RMB50,000,000 to US\$17,600,000.
- (h) on August 10, 2007, Anton Oil increased its registered capital from US\$17,600,000 to US\$33,000,000.

6. Particulars of subsidiaries

The Group has interests in a number of major PRC subsidiaries. Set out below is a summary of the corporate information of these major PRC subsidiaries:

Anton Oil

Date of Establishment	:	January 28, 2002
Corporate Form	:	wholly foreign-owned enterprise
Registered Capital	:	US\$33,000,000
Shareholder	:	Pure Energy, 100%

Anton Tong'ao

Date of Establishment	:	December 15, 2005
Corporate Form	:	wholly-owned limited liability company (domestic)
Registered Capital	:	RMB60,000,000
Shareholder	:	Anton Oil, 100%

Xinjiang Tong'ao

Date of Establishment	:	February 21, 2002
Corporate Form	:	wholly-owned limited liability company (domestic)
Registered Capital	:	RMB51,000,000
Shareholder	:	Anton Oil, 100%

Foyou Tech

Date of Establishment	:	December 12, 2000
Corporate Form	:	wholly-owned limited liability company (domestic)
Registered Capital	:	RMB5,100,000
Shareholder	:	Anton Oil, 100%

Xiguan Antong

Date of Establishment	:	September 17, 2002
Corporate Form	:	limited liability company (domestic)
Registered Capital	:	RMB10,000,000
Shareholder	:	Anton Oil, 51%

Anton Fenglei

Date of Establishment	:	February 24, 2004
Corporate Form	:	wholly-owned limited liability company (domestic)
Registered Capital	:	RMB1,100,000
Shareholder	:	Anton Oil, 100%

Tongsheng Well

Date of Establishment	:	December 24, 2004
Corporate Form	:	wholly-owned limited liability company (domestic)
Registered Capital	:	RMB11,000,000
Shareholder	:	Anton Oil, 100%

Zhongji Hengtong

Date of Establishment	:	August 26, 2002
Corporate Form	:	wholly-owned limited liability company (domestic)
Registered Capital	:	RMB500,000
Shareholder	:	Anton Oil, 100%

Xinjiang Foyou

Date of Establishment	:	December 22, 2006
Corporate Form	:	limited liability company (domestic)
Registered Capital	:	RMB35,000,000
Shareholder	:	Anton Tong'ao, 70% Foyou Tech, 30%

Anton New Materials

Date of Establishment	:	September 29, 2006
Corporate Form	:	wholly-owned limited liability company (domestic)
Registered Capital	:	RMB10,000,000
Shareholder	:	Foyou Tech, 100%

Hinen-Hitech

Date of Establishment	:	18 September 2000
Corporate Form	:	wholly-owned limited liability company (domestic)
Registered capital	:	RMB500,000
Shareholder	:	Anton Oil, 100%

The Company has been advised by its PRC legal advisors that the registered capital of each of the PRC subsidiaries has been fully paid up in a timely manner, save for the following:

Xiguan Antong

The cash contribution to the registered capital of Xiguan Antong only accounted for 5% of its registered capital, which is below the statutory requirements of limited companies established after January 1, 2006 must have at least 30% of their registered capital contributed in cash. The reason for the shortfall in cash contribution is that the relevant actions and procedures of Xiguan Antong for the capital increase, including the passing of the relevant resolutions for the capital increase, the asset valuation and capital verification and the application for the capital increase, were made in December 2005 before the amendments to the PRC Company Law came into effect on January 1, 2006. In this connection, the Beijing Municipal Administration of Industry and Commerce allowed Xiguan Antong to proceed with the capital increase in January 2006 and Xiguan Antong has also passed the annual inspection for the year 2006.

The Company believes that it is not necessary to rectify the shortfall in cash contribution given the above reasons. In addition, Luo Lin has undertaken to the Company that he will make a cash contribution to Xiguan Antong, on behalf of the Company, to rectify such shortfall, in the event that such situations occur:

- (i) the business license of Xiguan Antong cannot be renewed; or
- (ii) Xiguan Antong cannot pass its annual inspection; or
- (iii) Xiguan Antong is required to rectify such shortfall by the relevant authorities in writing.

7. Repurchase by the Company of Shares

(a) Provisions of the Listing Rules

The Listing Rules permit companies whose primary listing is on the Main Board of the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(i) Shareholders' approval

All proposed repurchases of securities on the Stock Exchange by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of shareholders, either by way of general mandate or by specific approval of a particular transaction.

(Note: Pursuant to resolution passed by the sole shareholder of the Company on November 17, 2007, a general unconditional mandate (the "Buyback Mandate") was granted to the Directors authorizing the repurchase by the Company on the Stock Exchange, or on any other stock exchange on which the securities of the Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, of Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal amount of the share capital of the Company in issue and to be issued as mentioned herein, at any time until the conclusion of the next annual general meeting of the Company, the expiration of the period within which the next annual general meeting of the Company is required by any applicable law or the Articles to be held or when such mandate is revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting, whichever is the earliest.)

(ii) *Source of funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles and the laws of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

(b) *Reasons for repurchases*

The Directors believe that it is in the best interests of the Company and its shareholders for the Directors to have a general authority from shareholders to enable the Company to repurchase Shares in the market. Repurchases of Shares will only be made when the Directors believe that such repurchases will benefit the Company and its members. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net value of the Company and its assets and/or its earnings per Share.

(c) *Funding of repurchases*

In repurchasing securities, the Company may only apply funds legally available for such purpose in accordance with the Articles and the applicable laws of the Cayman Islands.

Any repurchase of Shares will be made out of the profits of the Company or the proceeds of a fresh issue of shares made for the purpose of the purchase or, if authorized by the Articles and subject to the Companies Law, out of capital and, in the case of any premium payable on the purchase, out of the profits of the Company or from sums standing to the credit of the share premium account of the Company or, if authorized by the Articles and subject to the Companies Law, out of capital.

The Directors do not propose to exercise the Buyback Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or its gearing levels which, in the opinion of the Directors, are from time to time appropriate for the Company.

(d) *Share capital*

Exercise in full of the Buyback Mandate, on the basis of 2,067,250,000 Shares in issue immediately after the listing of the Shares (but taking no account of Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option), could accordingly result in up to 206,725,000 Shares being repurchased by the Company during the period until:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by any applicable law or the Articles to be held; or
- (iii) the date on which the Buyback Mandate is revoked or varied by an ordinary resolution of the Shareholders in general meeting,

whichever occurs first.

(e) General

None of the Directors or, to the best of their knowledge, having made all reasonable enquiries, any of their respective associates (as defined in the Listing Rules), has any present intention to sell any Shares to the Company or its subsidiaries.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Buyback Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands. The Company has not repurchased any Shares in the previous six months.

No connected person (as defined in the Listing Rules) has notified the Company that he /she or it has a present intention to sell Shares to the Company, or has undertaken not to do so, if the Buyback Mandate is exercised.

If as a result of a securities repurchase pursuant to the Buyback Mandate, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purpose of the Hong Kong Code on Takeovers and Mergers (the "Code"). Accordingly, a Shareholder, or a group of Shareholders acting in concert, depending on the level of increase of the Shareholders' interest, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Code as a result of any such increase.

If the Buyback Mandate is fully exercised immediately following completion of the Global Offering but taking no account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or pursuant to the exercise of the any options which may be granted under the Share Option Scheme, the total number of Share which will be repurchased pursuant to the Buyback Mandate shall be 206,725,000 Shares (being 10% of the issued share capital of the Company based on the aforesaid assumptions). The percentage shareholding of Pro-Development, the Controlling Shareholder of the Company, will be increased from 33.24% to approximately 37.04% of the issued share capital of the Company immediately following the full exercise of the Buyback Mandate and would give rise to an obligation to make a mandatory offer under Rule 26 of the Takeovers Code.

B. FURTHER INFORMATION ABOUT THE BUSINESS**1. Summary of material contracts**

The following contracts (not being contracts in the ordinary course of business) have been entered into by the Company or any of its subsidiaries within the two years preceding the date of this prospectus and are or may be material:

- (a) an agreement dated December 1, 2005 entered into between Foyou Tech and Li Man (李嫚) regarding the transfer by Foyou Tech of its RMB500,000 interest in Anton Oil to Li Man (李嫚);
- (b) an agreement dated December 1, 2005 entered into between Foyou Tech and Anton Energy regarding the transfer by Foyou Tech of its RMB5,500,000 interest in Anton Oil to Anton Energy;
- (c) an agreement dated December 6, 2005 entered into between Anton Energy and Anton Oil regarding the transfer by Anton Energy of its 97% interest (RMB4,947,000) in Foyou Tech to Anton Oil;
- (d) an agreement dated December 6, 2005 entered into between Li Man (李嫚) and Anton Oil regarding the transfer by Li Man (李嫚) of her 2% interest (RMB102,000) in Foyou Tech to Anton Oil;
- (e) an agreement dated December 16, 2005 entered into between Luo Lin (羅林) and Anton Oil regarding the transfer by Luo Lin (羅林) of his 9.72% interest (RMB4,860,000) in Xinjiang Tong'ao to Anton Oil;
- (f) an agreement dated December 16, 2005 entered into between He Zhigang (賀志剛) and Anton Oil regarding the transfer by He Zhigang (賀志剛) of his 1.08% interest (RMB540,000) in Xinjiang Tong'ao to Anton Oil;
- (g) an agreement dated December 16, 2005 entered into between Anton Energy and Anton Oil regarding the transfer by Anton Energy of its 45% interest (RMB22,500,000) in Xinjiang Tong'ao to Anton Oil;
- (h) an agreement dated December 20, 2005 entered into between Meng Zhi Ying (孟智英) and Wang Shi Hong (王世宏) regarding the transfer by Meng Zhi Ying (孟智英) of his 10% interest (RMB50,000) in Xiguan Antong to Wang Shi Hong (王世宏);
- (i) an agreement dated April 30, 2006 entered into between Anton Oil and Wang Shi Hong (王世宏) regarding the transfer by Anton Oil of its 46.55% interest (RMB4,655,000) in Xiguan Antong to Wang Shi Hong (王世宏);
- (j) an agreement dated June 10, 2006 entered into between Anton Energy and Anton Oil regarding the transfer by Anton Energy of its 1% interest (RMB500,000) in Xinjiang Tong'ao to Anton Oil;
- (k) an agreement dated June 10, 2006 entered into between Xinjiang Tong'ao and Anton Oil regarding the transfer by Xinjiang Tong'ao of its 1% interest (RMB600,000) in Anton Tong'ao to Anton Oil;




- (l) an agreement dated June 30, 2006 entered into between Li Man (李嫚) and Anton Energy regarding the transfer by Li Man (李嫚) of her 1% interest (RMB500,000) in Anton Oil to Anton Energy;
- (m) an agreement dated July 30, 2006 entered into between Foyou Tech and Anton Oil regarding the transfer by Foyou Tech of its 20% interest (RMB200,000) in Anton Fenglei to Anton Oil;
- (n) an agreement dated July 30, 2006 entered into between Anton Energy and Anton Oil regarding the transfer by Anton Energy of its 40% interest (RMB200,000) in Zhongji Hengtong to Anton Oil;
- (o) an agreement dated July 30, 2006 entered into between Anton Energy and Anton Oil regarding the transfer by Anton Energy of its 1% interest (RMB51,000) in Foyou Tech to Anton Oil;
- (p) an agreement dated July 30, 2006 entered into between Fan Yong Hong (范永洪) and Anton Oil regarding the transfer by Fan Yong Hong (范永洪) of his 22.5% (RMB2,250,000) interest in Tongsheng Well to Anton Oil;
- (q) a contract dated August 7, 2006 entered into between the Parent Company and Anton Energy regarding the transfer by Anton Energy of its 100% interest in Anton Oil to the Parent Company at a consideration of RMB75,630,000;
- (r) an agreement dated September 3, 2006 entered into between Anton Energy and Anton Oil regarding the transfer by Anton Energy of its 1.96% interest in Xinjiang Tong'ao to Anton Oil;
- (s) an agreement dated September 3, 2006 entered into between Anton Energy and Anton Oil regarding the transfer by Anton Energy of its 9.09% interest in Tongsheng Well to Anton Oil;
- (t) an agreement dated September 11, 2006 entered into between Anton Energy and Anton Oil regarding the transfer by Anton Energy of its 9.09% interest in Anton Fenglei to Anton Oil.
- (u) an agreement dated May 22, 2007 between 內蒙古北方重工業集團有限公司 (Inner Mongolia Northern Heavy Industry Group Co. Ltd.) and Anton Oil in relation to the establishment of Northern Heavy Anton;
- (v) an agreement dated September 28, 2007 between the Parent Company and the Company in relation to the transfer of the entire equity capital in Anton Oil from the Parent Company to the Company;
- (w) an agreement dated September 28, 2007 between the Company and Pure Energy in relation to the transfer of the entire equity capital in Anton Oil from the Company to Pure Energy;
- (x) the share transfer agreement dated October 2, 2007 between Pei Bo Lin, Chen Fei, Li Shu Sheng and Tian Dai Yu and Anton Oil regarding the transfer of the 100% interests in Hinen-Hitech and Beijing Huarme to Anton Oil for a consideration of RMB150,000,000;

- (y) a non-competition agreement dated November 17, 2007 between Luo Lin, Pro Development and the Company pursuant to which each of Luo Lin and Pro Development has unconditionally agreed and undertaken to the Company that he/it will not directly or indirectly participate in, hold any right or interest, or otherwise be involved in, any business which may be in competition with the businesses of the Company;
- (z) the deed of indemnity dated November 30, 2007 given Luo Lin and Pro Development in favour of the Company and its subsidiaries in respect of, amongst others, taxation and certain indemnities referred to in the sub-section headed “Tax and other indemnities” in this Appendix; and
- (aa) the Hong Kong Underwriting Agreement.

2. Intellectual property rights of the Group

(a) Trademarks

As at the Latest Practicable Date, we have registered the following trademarks in the PRC:

Trademark	Registration No.	Validity Period	Class	Place of registration
	3939685	March 28, 2006 to March 27, 2016	7	PRC
	3939686	March 28, 2006 to March 27, 2016	7	PRC
	3939687	March 28, 2006 to March 27, 2016	7	PRC

As at the Latest Practicable Date, we have applied for the registration of the following trademark:

Trademark	Application No.	Application Date	Class	Place of Application
	300967852	October 5, 2007	7	Hong Kong

(b) Patents

- (i) As at the Latest Practicable Date, the Group is the registered proprietor of the following patents in the PRC:

Patent	Country	Patent Registration Number	Expiry Date
Hard Banding Automatic Welding Device with Special Flux-cored Wire (特殊藥芯耐磨帶自動敷焊裝置)	PRC	ZL 01 2 70687.6	November 15, 2011
Casing Threads Protector (下油套管絲扣保護器)	PRC	ZL 2004 2 0096577.9	October 9, 2014
Multi-purpose Hydraulic-powered Disassembly and Assembly Machine (多用途液壓拆裝機)	PRC	ZL 2004 2 0115657.4	November 17, 2014
Sand Sediment Pipe (沉砂管)	PRC	ZL 02 2 08852.0	April 3, 2012
Negative Pressure Sand-picking String-switch Device (負壓撈砂管串裝置)	PRC	ZL 02 2 46543 X	August 21, 2012
Negative Pressure Sand-picking String-switch Device (負壓撈砂管串開關裝置)	PRC	ZL 02 2 46542.1	August 21, 2012
Negative Pressure Sand-picking Suction Cutter (負壓撈砂吸砂頭)	PRC	ZL 02 2 46544.8	August 21, 2012
Special Tools for Repair of Threads of Heavy-weighted Oil Tube (加厚油管螺紋修復專用刀具)	PRC	ZL 03 2 04596.4	February 24, 2013
Anti-corrosive and Anti-abrasive Polished Sucker Rod (耐腐蝕耐磨損抽油光杆)	PRC	ZL 03 2 08499.4	August 28, 2013
Induction Heating Holding Device for Polished Sucker Rod (抽油光杆感應加熱支撐夾持裝置)	PRC	ZL 2005 2 0018641.6	May 19, 2015
Drill Pipe with Intelligent Identification Function (可識別的鑽杆)	PRC	ZL 2006 2 0008289.2	March 20, 2016
Mechanically Hydraulic Drill Jar (機械液壓式隨鑽震擊器)	PRC	ZL 2005 2 0109837.6	June 14, 2015
Induction Heating Water-cooled Device with Intermediate Frequency for Alloy Polished Sucker Rod (合金抽油光杆中頻感應加熱水冷裝置)	PRC	ZL 2005 2 0107436.7	May 26, 2015
Sand Screen with Composite Hierarchical Sand-control and Filtering Structure (具有複合分級控砂過濾結構的防砂篩管)	PRC	ZL 2005 2 0132859.4	November 15, 2015
Bi-direction Protective Sucker Rod Coupling (雙向保護抽油杆接箍)	PRC	ZL 2005 2 0008786.8	March 22, 2015
Innovative Centralizer for Inside Coating (新型管內塗敷用扶正器)	PRC	ZL 2005 2 0108765.3	June 7, 2015
Multi-functional Flap Edge Dresser for Drill Pipe (多功能鑽杆飛邊打磨機)	PRC	ZL 2005 2 0107437.1	May 26, 2005

Patent	Country	Patent Registration Number	Expiry Date
Automatic Clearing Apparatus against Tungsten Carbide on the surface of Drill Pipe (鑽杆表面碳代鎢自動清除裝置)	PRC	ZL 2005 2 0107510.5	May 29, 2015
Sand Screen with Composite Hierarchical Sand-control and Filtering Structure (高密度沖縫防砂篩管)	PRC	ZL 2006 2 0008290.5	March 20, 2016
Drilling Pipe Drilling-hole Device (鑽杆鑽孔裝置)	PRC	ZL 2006 2 0008288.8	March 20, 2016
Thermal Spraying Device for Alloy Coating on the Surface of Polished Sucker Rod (抽油光杆表面合金塗層熱噴塗裝置)	PRC	ZL 2005 2 0017057.9	April 24, 2015
Air equalizing device ZL (均風器)ZL	PRC	200520113611.3	July 12, 2015
Grinding Device for the Sealing Surface of Drilling Pipe ZL (鑽杆密封面研磨裝置)ZL	PRC	200620023219.4	July 5, 2016
Dry Oven for Continuous Solidifying of Coating for Pipes ZL (管件塗層連續固化烘乾爐)ZL	PRC	2005201098338	June 14, 2015
Fastening Device for Fracturing Material placed outside of the Well Perforator (油氣井射孔器外置壓裂藥的固定裝置)	PRC	ZL200620158597.3 (Note 1)	November 27, 2016
Gas Propelling Fracture Stimulation Device (氣體推進成縫裝置)	PRC	ZL200620158599.2 (Note 1)	November 27, 2016
Rust Removing Device for Inner Wall of Oil Tube (油管內壁除銹裝置)	PRC	ZL200620158797.9 (Note 1)	December 7, 2016
Sealing Structure for the Shaft End of K -type Gear Pump (K型齒輪泵軸端密封結構)	PRC	ZL 200620158796.4 (Note 1)	December 7, 2016
Protective Device for Fracturing Material placed outside of the Well Perforator (油氣井射孔器外置壓裂藥的保護裝置)	PRC	ZL 200620158598.8 (Note 1)	November 27, 2006
Abrasive Belt Polishing Machine (砂帶拋光機)	PRC	ZL 200620158795.X (Note 1)	December 7, 2016
Driving Unit for Super Long Pipe (超長管驅動裝置)	PRC	ZL 200620158794.5 (Note 1)	December 7, 2016
Sand Screen with Hierarchical Filtering Capability for Well Completion (具有分級過濾性能的完井防砂篩管)	PRC	ZL 200620158463.1 (Note 1)	November 13, 2016
Controllable and Easy-to-be-out-of-joint Sand-blasting Machine (一種可控式方便脫節的噴砂器)	PRC	ZL 200720103867.5 (Note 1)	March 15, 2017

Patent	Country	Patent Registration Number	Expiry Date
A kind of Controllable and easily-out-of-joint Sand-blasting Machine (一種可控方式方便脫節的噴砂器) . . .	PRC	200720195382.3	November 12, 2007
Composite Metal Filter Mesh and its Sand Screen (複合金屬過濾網及其防沙篩管)	PRC	ZL 02 2 09128.9	March 31, 2012
Connection Device with Controllable Break Part and its Screen Connector and Screen (具有可控斷開部件的連接裝置) 及其篩管連接頭和篩管	PRC	ZL 02 2 37353.5	June 25, 2012
Sliding Side Door Screen Connection Device and the Screen with the Device (用于篩管連接的滑套連接裝置及設有該裝置的篩管)	PRC	ZL 02 2 56725.9	September 18, 2012
Superhard Materials and Metal Matrix Materials Composite (超硬材料與金屬基體材料複合體)	PRC	ZL 02 2 92786.7	December 30, 2012
Well Completion System Adjusting Strata Fluid or the Flowing of the Fluid Injected by Subdividing Segments (細分區段調控地層流體或注入流體流動的油氣井完井系統)	PRC	ZL 02 2 93603.3	December 22, 2012
Well Completion System Adjusting Strata Fluid or the Flowing of the Fluid Injected by Subdividing Segments (細分區段調控地層流體或注入流體流動的油氣井完井系統)	PRC	ZL 02 1 58107.X	December 22, 2022
The Method of Compositing Superhard Materials and Metal Matrix Materials Composite and Oil Drilling Device Stabilizer and Oil Drilling Heads (超硬材料與金屬基體材料複合的方法及石油鑽具穩定器和石油鑽頭)	PRC	ZL 02 1 58105.3	December 22, 2012
Screen with flow control device (具有流量調控裝置的篩管)	PRC	ZL 02 2 93604.1	December 22, 2012
A kind of Sand Screen (一種防砂篩管)	PRC	200420118109.7	November 8, 2014
A kind of Vibrating Screen Mesh Hierarchically Filtering Drilling Fluid (一種分級過濾鑽井液的振動篩網) . . .	PRC	200420009925.4	December 1, 2014

Note 1: These patent applications have been approved for registration and the Group is in the process of obtaining the patent registration certificates.

(ii) As at the Latest Practicable Date, the Group has applied for the registration of the following patents:

Application No.	Country	Description	Date of application
200510002468.5 . . .	PRC	Thermal Spraying Technology for Alloy Coating on the Surface of AOC Alloy Sucker Rod AOC (合金抽油光杆表面合金塗層熱噴塗工藝)	January 24, 2005
200520001346.X . . .	PRC	Flame Spraying Device for Pipe and Rod Related Work Piece (管杆類工件火焰噴塗裝置)	January 24, 2005
200510083018.3 . . .	PRC	Bi-direction Protective Sucker Rod Coupling (雙向保護抽油杆接箍)	July 13, 2005
200610088965.6 . . .	PRC	Oil Pump Plunger (抽油泵柱塞)	July 27, 2006
200610088966.0 . . .	PRC	The manufacturing method for oil pump plunger (抽油泵柱塞的製造方法)	July 27, 2006
200610114691.3 . . .	PRC	Manufacturing Method for Super-strength Anti-corrosive Polished Sucker Rod (超高強度防腐抽油光杆的製作方法)	November 21, 2006
200610114694.7 . . .	PRC	H-above Grade Anti-corrosive Polished Sucker Rod (超 H級防腐抽油光杆)	November 21, 2006
200610114693.2 . . .	PRC	H-above Grade Sucker Rod (超 H級抽油杆)	November 21, 2006
200610114692.8 . . .	PRC	Steel Used for Super Strength Sucker Rod (超高強度抽油杆用鋼)	November 21, 2006
200610169619.0 . . .	PRC	Coupling Reinforced with Compound Fiber Materials (纖維複合材料增強接箍)	December 25, 2006
200610169693.2 . . .	PRC	Oxygen-insulating Method with Liquid Packing for Oilfield Sewage Treatment Tank (油田污水處理罐液封隔氧方法)	December 27, 2006
200720104085.3 . . .	PRC	A Kind of Grinding Device for Outside Wall of Oil Tube (一種油管外壁打磨裝置)	April 2, 2007
200710065040.4 . . .	PRC	Rust Removing Device for Outside Wall of Oil Tube (油管外壁除銹裝置)	March 30, 2007
200710098407.2 . . .	PRC	A Kind of Sucker Rod Coupling Processed with Thermal Spray of Self-lubricating Ferrous Alloy (一種自潤滑鐵基合金噴焊抽油杆接箍)	April 17, 2007

Application No.	Country	Description	Date of application
200710098408.7 . . .	PRC	A Kind of Sucker Rod Coupling Processed with Thermal Spray of Self-lubricating Nickel-base Alloy (一種自潤滑鎳基合金噴焊抽油杆接箍)	April 17, 2007
200720104260.9 . . .	PRC	Automatic Air Discharging Unit of High-pressure Hydrostatic Pressure Test (高壓靜水壓試驗自動排氣裝置)	April 13, 2007
200710065386.4 . . .	PRC	High-pressure Automatic Air Discharging Valve (高壓自動排氣閥)	April 12, 2007
200710064407.0 . . .	PRC	Oilfield Sewage Treatment Method (油田污水處理方法)	March 14, 2007
200710079624.7 . . .	PRC	The Cross-linking Painting Technique Using Heavy Anti-corrosive Powder and Liquid for Inside Wall of Steel Pipe (鋼質管道內壁重防腐粉 — 液交聯塗裝工藝)	February 28, 2007
200720149018.3 . . .	PRC	Spraying Gun for Steel Pipe Inside Wall Painting (鋼管內壁塗裝噴槍)	April 29, 2007
200710064732.7 . . .	PRC	A Kind of Self-lubricating Ferrous Alloy Powder Used for Thermal Spray of Coupling of Sucker Rod (一種抽油杆接箍用自潤滑鎳基合金噴焊粉末)	March 23, 2007
200710098857.1 . . .	PRC	Rotating High-pressure Gas-free Spraying Gun (旋轉式高壓無氣噴槍)	April 28, 2007
200720148806.0 . . .	PRC	A Kind of Anti-abrasive and Anti-corrosive Sucker Rod Coupling (一種耐磨耐腐蝕的抽油杆接箍)	April 17, 2007
200710064731.2 . . .	PRC	A Kind of Self-lubricating Ferrous Alloy Powder Used for Thermal Spray of Coupling of Sucker Rod (一種抽油杆接箍用自潤滑鎳基合金噴焊粉末)	March 23, 2007
200510002469.X . . .	PRC	Bi-direction Coupling Surface Alloy Coating Thermal Spraying Techniques (雙向保護接箍表面合金塗層熱噴塗工藝)	March 18, 2005
200710099513.2 . . .	PRC	Preparation Method of Auto-lubricating Nickel Matrix Alloy Spraying Welding Sucker Rod Coupling (自潤滑鎳基合金噴焊抽油杆接箍的製備方法)	May 23, 2007
200710099514.7 . . .	PRC	Preparation Method of Auto-lubricating Iron Matrix Alloy Spraying Welding Sucker Rod Coupling (自潤滑鐵基合金噴焊抽油杆接箍的製備方法)	May 23, 2007
200710099748.1 . . .	PRC	The Split-type Packer Device (剖分式封隔器)	May 29, 2007
200720149382.X . . .	PRC	Well Drilling Test Split-type Packer Device (鑽井測試剖分式封隔裝置)	May 30, 2007

Application No.	Country	Description	Date of application
200710099749.6 . . .	PRC	Movable Well Cleanout Truck Pipeline Control Device (移動式洗井車管路控制裝置)	May 29, 2007
200720149357.1 . . .	PRC	Movable Well Cleanout Truck Pipeline Forward and Negative Cleaning Control Device (移動式洗井車正反洗控制裝置)	May 29, 2007
200710119074.7 . . .	PRC	Alloy Dirt Preventing Oil Pump (合金防垢抽油泵)	June 19, 2007
200720149747.9 . . .	PRC	A kind of Scraping off Dirt Oil Pump (一種刮垢抽油泵)	June 20, 2007
200710118049.7 . . .	PRC	A kind of Anti-Corrosive Super Strength Polished Sucker Rod (一種防腐超高強度抽油光杆)	June 27, 2007
200710118048.2 . . .	PRC	Preparation Technique of A kind of Anti-Corrosive Super Strength Polished Sucker Rod (一種防腐超高強度抽油光杆的製備工藝)	June 27, 2007
200710119135.X . . .	PRC	Detecting, Rating and Evaluating Method for the Servicing Drilling Rod (在役石油鑽杆檢測分級評價方法)	July 16, 2007
200720170019.6 . . .	PRC	Heating and Curing Furnace Door Device (加熱固化爐爐門裝置)	August 1, 2007
200710119848.6 . . .	PRC	A kind of Pipe Inner Coating Curing Furnace Door Device (一種管材內塗層固化爐爐門裝置)	August 1, 2007
200720173000.7 . . .	PRC	Electric All-Direction Ball Support Frame Specially for Welding Anti-abrasion Zone on Drilling Rod (鑽杆耐磨帶焊接專用電動萬向球托架)	September 6, 2007
200710121462.9 . . .	PRC	All-Direction Ball Support Frame for Welding Anti-abrasion Zone on Drilling Rod (鑽杆耐磨帶焊接用萬向球托架)	September 6, 2007
200710121461.4 . . .	PRC	A New kind of Preparation Technique for Auto-lubricating Iron Matrix Coating Coupling (一種新型自潤滑鐵基塗層接箍的製備工藝)	September 6, 2007
200720172999.3 . . .	PRC	A kind of Oilfield Oil Pipe Cleaning Equipment (一種油田油管清洗設備)	September 6, 2007
200720173856.4 . . .	PRC	Console Adjustment Device for the Surfacing Equipment of Anti-abrasion Zone on the Drilling Rod (鑽杆耐磨帶敷焊設備中的主機調節裝置)	October 29, 2007
200710176497.2 . . .	PRC	Console Angle Adjustment Device for the Surfacing Equipment of Anti-abrasion Zone on the Drilling Rod (鑽杆耐磨帶敷焊設備中的主機角度調節裝置)	October 29, 2007

Application No.	Country	Description	Date of application
200710188146.3 . . .	PRC	Controllable out-of-joint Sand-blasting Machine (可控脫節噴砂器)	November 12, 2007
200720195382.3 . . .	PRC	A kind of Controllable and easily-out-of-joint Sand-blasting Machine (一種可控方式方便脫節的噴砂器)	November 12, 2007
200720195381.9 . . .	PRC	Controllable out-of-joint Multi-layer Fracturing Pipe Column (可控脫節多層分層壓裂管柱)	November 12, 2007
200710188147.8 . . .	PRC	Sand-blasting Machine Controllable out-of-joint Multi-layer Fracturing Pipe Column Controllable and out-of-joint Method (噴砂器可控脫節的多層分層壓裂管柱及可控脫節的方法)	November 12, 2007

(c) *Domain Names*

As at the Latest Practicable Date, the Group was the registered proprietor of the following domain name in the PRC:

Domain Name	Name of Proprietor	Expiry Date
antonoil.com	Anton Oil	January 30, 2009
antonoil.net	Anton Oil	January 18, 2012
tonsenswell.com	Anton Oil	October 24, 2007
antonoil.com.cn	Anton Oil	January 18, 2012
antonoil.net.cn	Anton Oil	January 18, 2012
antongroup.net.cn	Anton Oil	December 30, 2007
antongroup.cn	Anton Oil	December 30, 2007
安東石油 .cn	Anton Oil	August 13, 2007
安東石油 .com	Anton Oil	March 12, 2008

Save as mentioned above, there are no registered intellectual property rights which are or may be material in relation to the Group's business and which are beneficially owned by the Group.

C. FURTHER INFORMATION ABOUT DIRECTORS, AND SUBSTANTIAL SHAREHOLDERS

1. Directors

(a) *Disclosure of interest — interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations*

Immediately following completion of the Global Offering and the Capitalization Issue and assuming that the Over-allotment Option is not exercised, the interest or short position of Directors or chief executives of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to Model Code for Securities Transactions by Directors of Listed Companies, once the Shares are listed are as follows:

(i) *Interest in the Company*

<u>Name of Director</u>	<u>Company/ associated corporation</u>	<u>Nature of interest</u>	<u>Number of securities</u>	<u>Approximate percentage of shareholding</u>
Luo Lin	Company	Interest of a controlled corporation	689,146,150	33.34%
Ma Jian	Company	Interest of a controlled corporation	87,883,800	4.25%
Pan Weiguo. . .	Company	Interest of a controlled corporation	248,643,075	12.03

Note: Luo Lin and his family members are the beneficiaries of the Loles Trust, which is indirectly interested in Pro Development, which in turn is interested in 689,145,150 Shares.

Ma Jian and his family members are the beneficiaries of the Brewster Trust, which is indirectly interested in 60.4% of Anton Management, which is interested in 87,883,800 Shares. Ma Jian is deemed to be interested in the 87,883,800 Shares held by Anton Management by virtue of the SFO.

Pan Weiguo is a beneficiary of the Anton Harmony Trust, which is indirectly interested in Forever Mark Group Limited, which in turn is interested in 248,643,075 Shares.

(ii) *Interest in associated corporations of the Company*

<u>Name of Director</u>	<u>Name of associated corporation</u>	<u>Percentage shareholding</u>
Luo Lin	Pro Development	100%
Ma Jian	Anton Management	60.4%
Pan Weiguo.	Forever Mark Group Limited	Note

Note: Pan Weiguo is a beneficiary of the Anton Harmony Trust, which is indirectly interested in the entire issued share capital of Forever Mark Group Limited.

(b) Particulars of service contracts

Each of the executive Directors has entered into a service contract with the Company for a term of 3 years commencing from the Listing Date, which may be terminated by not less than 3 months' notice in writing served by either party on the other.

(c) Directors' remuneration

Each of the executive Directors is entitled to a director's fee. Each executive Director shall be paid a remuneration on the basis of twelve months in a year. In addition, each of the executive Directors is also entitled to a discretionary bonus provided that the aggregate amount of the bonuses payable to all the executive Directors for any financial year of the Company may not exceed 5% of the audited combined or consolidated net profit of the Group (after taxation and minority interests and payment of such bonuses but before extraordinary items) in respect of that financial year of the Company. An executive Director may not vote on any resolution of the Directors regarding the amount of the bonus payable to him. The current annual director's fees and remuneration of the executive Directors are as follows:

<u>Name</u>	<u>Annual director's fee (RMB)</u>
Luo Lin	607,200
Ma Jian	528,000
Pan Weiguo	528,000

The independent non-executive Directors have been appointed for a term of one year. The Company intends to pay a director's fee of RMB300,000 per annum to each of the independent non-executive Directors.

Under the arrangement currently in force, the aggregate amount of emoluments payable by the Group to the Directors for the year ending December 31, 2007 will be approximately RMB1.38 million.

Further details of the terms of the above service contracts are set out in the paragraph headed "Particulars of service contracts" in the subsection headed "Directors" in this appendix.

2. Substantial Shareholders

- (a) So far as the Directors are aware, immediately following the completion of the Share Offer (but without taking into account the Shares to be issued pursuant to the exercise of the Over-allotment Option), the following persons (other than the Directors and chief executives of the Company) will have or be deemed or taken to have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO:

Long positions in the Shares and underlying shares of the Company

Name of shareholder	Capacity in which interests are held	Interests in Shares	Approximate percentage shareholding	Notes
Pro Development	Beneficial owner	689,146,150	33.34%	1
Erdos	Beneficial owner	375,000,000	18.14%	
China Harvest Fund, L.P.	Interest of a controlled corporation	375,000,000	18.14%	2
China Renaissance Capital Investment, L.P.	Interest of a controlled corporation	375,000,000	18.14%	3
Forever Mark Group Limited.	Beneficial owner	248,608,560	12.03%	
Chengwei	Beneficial owner	146,644,740	7.09%	
Chengwei Ventures Evergreen Fund, LP	Interest of a controlled corporation	146,644,740	7.09%	4
Chengwei Ventures Evergreen Management, LLC	Interest of a controlled corporation	146,644,740	7.09%	5
EXL Holdings LLC	Interest of a controlled corporation	146,644,740	7.09%	6
Eric Xun Li	Interest of controlled corporation	146,644,740	7.09%	7
Yijing Zhu Li.	Interest of spouse	146,644,740	7.09%	8

Notes:

- Pro Development is held by Avalon Assets Limited, which is in turn held by Credit Suisse Trust Limited (“Credit Suisse Trust”) acting as trustee of the Loles Trust. The Loles Trust is an irrevocable discretionary trust set up by Luo Lin as settlor and Credit Suisse Trust as trustee on November 16, 2007. The beneficiaries under the Loles Trust are Luo Lin and his family members.
- China Harvest Fund, L.P. holds approximately 97.83% issued share capital in Erdos and therefore, China Harvest Fund, L.P. is deemed or taken to be interested in the 375,000,000 Shares which are beneficially owned by Erdos for the purposes of the SFO.
- China Renaissance Capital Investment, L.P. is the general partner of China Harvest Fund, L.P. and therefore, China Renaissance Capital Investment, L.P. is deemed or taken to be interested in the 375,000,000 Shares which are beneficially owned by Erdos for the purposes of the SFO.
- Chengwei Ventures Evergreen Fund, LP holds approximately 83.7% issued share capital in Chengwei and therefore, Chengwei Ventures Evergreen Fund, LP is deemed or taken to be interested in the 146,644,740 Shares which are beneficially owned by Chengwei for the purposes of the SFO.
- Chengwei Ventures Evergreen Management, LLC is the general partner of Chengwei Ventures Evergreen Fund, LP and therefore, Chengwei Ventures Evergreen Management, LLC is deemed or taken to be interested in the 146,644,740 Shares which are beneficially owned by Chengwei for the purposes of the SFO.
- EXL Holdings LLC holds over one third of the voting rights of Chengwei Ventures Evergreen Management, LLC and therefore, EXL Holdings LLC is deemed or taken to be interested in the 146,644,740 Shares which are beneficially owned by Chengwei for the purposes of the SFO.

7. Eric Xun Li holds over one third of the voting rights of EXL Holdings LLC and therefore, Eric Xun Li is deemed or taken to be interested in the 146,644,740 Shares which are beneficially owned by Chengwei for the purposes of the SFO.
8. Yijing Zhu Li is Eric Xun Li's spouse and is deemed or taken to be interested, for the purposes of the SFO, 146,644,740 Shares which are beneficially owned by Chengwei.
- (b) As at the Latest Practicable Date, so far as is known to the Directors, the following person was interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group or had option in respect of such capital:

Name of shareholder	Name of company	Approximate percentage shareholding
王世宏 (Wang Shihong)	Xiguan Antong	49%

3. Agency fees or commissions received

Save as disclosed in this prospectus, no commissions, discounts, brokerages or other special terms were granted within the two years preceding the date of this prospectus in connection with the issue or sale of any capital of any member of the Group.

4. Disclaimers

Save as disclosed herein:

- (a) none of the Directors or chief executive of the Company has any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporation (within the meaning of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies once the Shares are listed;
- (b) none of the Directors or experts referred to under the heading "Consents of experts" in this Appendix has any direct or indirect interest in the promotion of the Company, or in any assets which have within the two years immediately preceding the date of this prospectus been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;
- (c) none of the Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of the Group taken as a whole;
- (d) none of the Directors has any existing or proposed service contracts with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));

- (e) taking no account of Shares which may be taken up under the Global Offering, none of the Directors knows of any person (not being a Director or chief executive of the Company) who will, immediately following completion of the Global Offering, have an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of SFO or be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group;
- (f) none of the experts referred to under the heading “Consents of experts” in this appendix has any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and
- (g) so far as is known to the Directors, none of the Directors, their respective associates (as defined under the Listing Rules) or shareholders of the Company who are interested in more than 5% of the issued share capital of the Company has any interests in the five largest customers or the five largest suppliers of the Group.

D. OTHER INFORMATION

1. Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by the written resolutions of the sole shareholder of the Company passed on November 17, 2007.

(a) Purpose

The Share Option Scheme is a share incentive scheme and is established to recognize and acknowledge the contributions the Eligible Participants (as defined in paragraph (b) below) had or may have made to the Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in the Company with the view to achieving the following objectives:

- (i) motivate the Eligible Participants to optimise their performance efficiency for the benefit of the Group; and
- (ii) attract and retain or otherwise maintain on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

(b) Who may join

The Board may, at its discretion, offer to grant an option to subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with paragraph (e) below to:

- (i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries;
- (ii) any directors (including non-executive directors and independent non-executive directors) of the Company or any of its subsidiaries; and
- (iii) any advisers, consultants, suppliers, customers and agents to the Company or any of its Subsidiaries.

Upon acceptance of the option, the grantee shall pay HK\$1.00 to the Company by way of consideration for the grant. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot of dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting the acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

(c) Maximum number of Shares

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of the Company must not in aggregate exceed 5% of the total number of Shares in issue immediately following completion of the Global Offering (but taking no account of any Shares which may be allotted or issued pursuant to the exercise of the Over-allotment Option), being 103,362,500 Shares, excluding for this purpose Shares which would have been issuable pursuant to options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of the Company). Subject to the issue of a circular by the Company and the approval of the Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may:

- (i) renew this limit at any time to 10% of the Shares in issue as at the date of the approval by the Shareholders in general meeting; and/or
- (ii) grant options beyond the 10% limit to Eligible Participants specifically identified by the Board. The circular issued by the Company to the Shareholders shall contain a generic description of the specified Eligible Participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to the specified Eligible Participants with an explanation as to how the options serve such purpose, the information required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules.

Notwithstanding the foregoing, the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company at any time shall not exceed 30% of the Shares in issue from time to time. No options shall be granted under any schemes of the Company (including the Share Option Scheme) if this will result in the 30% limit being exceeded. The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditors of the Company or an approved independent financial adviser shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of the Company in accordance with paragraph (q) below whether by way of consolidation, capitalization issue, rights issue, sub-division or reduction of the share capital of the Company but in no event shall exceed the limit prescribed in this paragraph.

(d) Maximum number of options to any one individual

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant. Any further grant of Options in excess of this 1% limit shall be subject to:

- (i) the issue of a circular by the Company containing the identity of the Eligible Participant, the numbers of and terms of the options to be granted (and options previously granted to such participant) the information as required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules; and
- (ii) the approval of the Shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time with such Eligible Participant and his associates (as defined in the Listing Rules) abstaining from voting. The numbers and terms (including the exercise price) of options to be granted to such participant must be fixed before the Shareholders' approval and the date of the Board meeting at which the Board proposes to grant the options to such Eligible Participant shall be taken as the date of grant for the purpose of calculating the subscription price of the Shares. The Board shall forward to such Eligible Participant an offer document in such form as the Board may from time to time determine.

(e) Price of Shares

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price will not be less than the highest of:

- (i) the official closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;
- (ii) the average of the official closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and
- (iii) the nominal value of a Share.

(f) Granting options to connected persons

Any grant of options to a director, chief executive or substantial shareholder (as defined in the Listing Rules) of the Company or any of their respective associates (as defined in the Listing Rules) is required to be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the Options). If the Board proposes to grant options to a substantial shareholder or any independent non-executive Director or their respective associates (as defined in the Listing Rules) which will result in the number of Shares issued and to be issued upon exercise of options granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% or such other percentage as may be from time to time provided under the Listing Rules of the Shares in issue; and

- (ii) having an aggregate value in excess of HK\$5 million or such other sum as may be from time to time provided under the Listing Rules, based on the official closing price of the Shares at the date of each grant,

such further grant of options will be subject to the issue of a circular by the Company and the approval of the Shareholders in general meeting on a poll at which all connected persons (as defined in the Listing Rules) of the Company shall abstain from voting in favour, and/or such other requirements prescribed under the Listing Rules from time to time. Any vote taken at the meeting to approve the grant of such options shall be taken as a poll.

The circular to be issued by the Company to the Shareholders pursuant to the above paragraph shall contain the following information:

- (i) the details of the number and terms (including the exercise price) of the options to be granted to each selected Eligible Participant which must be fixed before the shareholders' meeting and the date of Board meeting for proposing such further grant shall be taken as the date of grant for the purpose of calculating the exercise price of such options;
- (ii) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options) to the independent Shareholders as to voting;
- (iii) the information required under Rules 17.02(2)(c) and (d) and the disclaimer required under Rule 17.02(4) of the Listing Rules; and
- (iv) the information required under Rule 2.17 of the Listing Rules.

(g) Restrictions on the times of grant of Options

A grant of options may not be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been published pursuant to the requirements of the Listing Rules. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:

- (i) the date of the Board meeting (as such date to first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's annual results, half-year, quarterly or other interim period (whether or not required under the Listing Rules); and
- (ii) the deadline for the Company to publish an announcement of its annual results, or half-year, or quarterly or other interim period (whether or not required under the Listing Rules)

and ending on the date of actual publication of the results announcement.

(h) Rights are personal to grantee

An option is personal to the grantee and may be exercised or treated as exercised, as the case may be, in whole or in part. No grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option or attempt so to do.

(i) Time of exercise of Option and duration of the Share Option Scheme

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the Option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the Share Option Scheme. Subject to earlier termination by the Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years from the date of its adoption.

(j) Performance target

A grantee may be required to achieve any performance targets as the Board may then specify in the grant before any options granted under the Share Option Scheme can be exercised.

(k) Rights on ceasing employment or death

If the grantee of an option ceases to be an employee of the Company or any of its subsidiaries:

- (i) by any reason other than death or termination of his employment on the grounds specified in paragraph (l) below, the grantee may exercise the option up to the entitlement of the grantee as at the date of cessation (to the extent not already exercised) within a period of one month from such cessation; or
- (ii) by reason of death, his personal representative(s) may exercise the option within a period of 12 months from such cessation,

which date shall be the last actual working day with the Company or the relevant subsidiary whether salary is paid in lieu of notice or not, failing which it will lapse.

(l) Rights on dismissal

If the grantee of an Option ceases to be an employee of the Company or any of its subsidiaries on the grounds that he has been guilty of serious misconduct, or in relation to an employee of the Group (if so determined by the Board) on any other ground on which an employee would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with the Group, or has been convicted of any criminal offence involving his integrity or honesty, his Option will lapse and not be exercisable after the date of termination of his employment.

(m) Rights on takeover

If a general offer is made to all the Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror (as defined in the Takeovers Codes)) and such offer becomes or is declared unconditional during the option period of the relevant option, the grantee of an option shall be entitled to exercise the option in full (to the extent not already exercised) at any time within 14 days after the date on which the offer becomes or is declared unconditional.

(n) Rights on winding-up

In the event a notice is given by the Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall forthwith give notice thereof to all grantees and thereupon, each grantee (or his legal personal

representative(s)) shall be entitled to exercise all or any of his options (to the extent not already exercised) at any time not later than two business days prior to the proposed general meeting of the Company referred to above by giving notice in writing to the Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given, whereupon the Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting, allot the relevant Shares to the grantee credited as fully paid.

(o) Rights on compromise or arrangement between the Company and its members or creditors

If a compromise or arrangement between the Company and its members or creditors is proposed for the purposes of a scheme for the reconstruction of the Company or its amalgamation with any other companies pursuant to the laws of jurisdictions in which the Company was incorporated, the Company shall give notice to all the grantees of the options on the same day as it gives notice of the meeting to its members or creditors summoning the meeting to consider such a scheme or arrangement and any grantee may by notice in writing to the Company accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given (such notice to be received by the Company not later than two business days prior to the proposed meeting), exercise the option to its full extent or to the extent specified in the notice and the Company shall as soon as possible and in any event no later than the business day immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise of the option credited as fully paid and register the grantee as holder thereof.

With effect from the date of such meeting, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. If for any reason such compromise or arrangement does not become effective and is terminated or lapses, the rights of grantees to exercise their respective options shall with effect from such termination be restored in full but only upon the extent not already exercised and shall become exercisable.

(p) Ranking of Shares

The Shares to be allotted upon the exercise of an option will not carry voting rights until completion of the registration of the grantee (or any other person) as the holder thereof. Subject to the aforesaid, Shares allotted and issued on the exercise of options will rank *pari passu* in all respects and shall have the same voting, dividend, transfer and other rights, including those arising on liquidation as attached to the other fully-paid Shares in issue on the date of exercise.

(q) Effect of alterations to capital

In the event of any alteration in the capital structure of the Company whilst any option may become or remains exercisable, whether by way of capitalization issue, rights issue, open offer, consolidation, sub-division or reduction of share capital of the Company, such corresponding alterations (if any) shall be made in the number or nominal amount of Shares subject to any options so far as unexercised and/or the subscription price per Share of each outstanding option as the auditors of the Company or an independent financial adviser shall certify in writing to the Board to be in their/his opinion fair and reasonable in compliance with Rule 17.03(13) of the Listing Rules and the note thereto and the supplementary guidance issued by the Stock Exchange on September 5, 2005 and any future guidance and interpretation of the Listing Rules issued by the Stock Exchange from time to time.

Any such alterations will be made on the basis that a grantee shall have the same proportion of the issued share capital of the Company for which any grantee of an Option is entitled to subscribe pursuant to the Options held by him before such alteration and the aggregate subscription price payable on full exercise of any option is to remain as nearly as possible the same (and in any event not greater than) as it was before such event. No such alteration will be made the effect of which would be to enable a Share to be issued at less than its nominal value. The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such alterations.

(r) Expiry of option

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (i) the date of expiry of the option as may be determined by the Board;
- (ii) the expiry of any of the periods referred to in paragraphs (k), (l), (m), (n) or (o);
- (iii) the date on which the scheme of arrangement of the Company referred to in paragraph (o) becomes effective;
- (iv) subject to paragraph (n), the date of commencement of the winding-up of the Company;
- (v) the date on which the grantee ceases to be an Eligible Participant by reason of such grantee's resignation from the employment of the Company or any of its subsidiaries or the termination of his or her employment or contract on any one or more of the grounds that he or she has been guilty of serious misconduct, or has been convicted of any criminal offence involving his or her integrity or honesty, or in relation to an employee of the Group (if so determined by the Board) or any other ground on which an employee would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with the Group. A resolution of the Board to the effect that the employment of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive; or
- (vi) the date on which the Board shall exercise the Company's right to cancel the option at any time after the grantee commits a breach of paragraph (h) above or the options are cancelled in accordance with paragraph (t) below.

(s) Alteration of the Share Option Scheme

The Share Option Scheme may be altered in any respect by resolution of the Board except that:

- (i) any alteration to the advantage of the grantees or the Eligible Participants (as the case may be) in respect of the matters contained in Rule 17.03 of the Listing Rules; and
- (ii) any material alteration to the terms and conditions of the Share Option Scheme or any change to the terms of options granted,

shall first be approved by the Shareholders in general meeting provided that if the proposed alteration shall adversely affect any option granted or agreed to be granted prior to the date of alteration, such alteration shall be further subject to the grantees' approval in accordance with the terms of the Share Option Scheme. The amended terms of the Share Option Scheme shall still comply with Chapter 17 of the Listing Rules and any change to the authority of the Board in relation to any alteration to the terms of the Share Option Scheme must be approved by Shareholders in general meeting.

(t) Cancellation of Options

Subject to paragraph (h) above, any cancellation of options granted but not exercised must be approved by the grantees of the relevant options in writing.

(u) Termination of the Share Option Scheme

The Company may by resolution in general meeting or the Board at any time terminate the Share Option Scheme and in such event no further option shall be offered but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(v) Administration of the Board

The Share Option Scheme shall be subject to the administration of the Board whose decision as to all matters arising in relation to the Share Option Scheme or its interpretation or effect (save as otherwise provided herein) shall be final and binding on all parties.

(w) Condition of the Share Option Scheme

The Share Option Scheme is conditional on:

- (i) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Shares which may fall to be issued pursuant to the exercise of options to be granted under the Share Option Scheme;
- (ii) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional (including, if relevant, as result of the waiver of any such condition(s)) and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise;
- (iii) the approval of the rules of the Share Option Scheme by the Shareholders in general meeting; and
- (iv) the commencement of dealings in the Shares on the Stock Exchange.

(x) Disclosure in annual and interim reports

The Company will disclose details of the Share Option Scheme in its annual and interim reports including the number of options, date of grant, exercise price, exercise period and vesting period during the financial year/period in the annual/interim reports in accordance with the Listing Rules in force from time to time.

(y) *Present status of the Share Option Scheme*

As at the Latest Practicable Date, no option had been granted or agreed to be granted under the Share Option Scheme.

Application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of the options to be granted under the Share Option Scheme.

2. Pre-IPO Share Option Scheme

(i) *Purpose and summary of terms*

The purpose of the Pre-IPO Share Option Scheme is to recognize the contribution of certain employees, executives or officers of the Group made or may have made to the growth of the Group and/or the listing of Shares on the Stock Exchange. The principal terms of the Pre-IPO Share Option Scheme, which were confirmed and approved by resolutions in writing of all the Shareholders passed on October 1, 2007 are substantially the same as the term of the Share Option Scheme of the Company except for the following principal terms:

- (a) no options will be offered or granted upon the commencement of dealings in the Shares on the Stock Exchange; and
- (b) the maximum number of Shares in respect of which options may be granted under the Pre-IPO Share Option Scheme shall not exceed 86,025,000 Shares, representing 4.16% of the total number of issued Shares immediately following the commencement of dealings in the Shares on the Stock Exchange.

Application has been made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the 86,025,000 Shares that may be issued pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme.

(ii) *Outstanding options*

As of the date of this prospectus, options to subscribe for an aggregate of 86,025,000 Shares at an exercise price of HK\$1.04, representing a discount of 42.36% to the low end of the Offer Price of HK\$1.80 or a discount of 56.77% to the high end of the Offer Price of HK\$2.40 have been conditionally granted by the Company under the Pre-IPO Share Option Scheme. A total of 4 eligible participants have been granted options under the Pre-IPO Share Option Scheme and no further options will be granted under the Pre-IPO Share Option Scheme.

Below is a list of grantees under the Pre-IPO Share Option Scheme:

<u>Grantee and position</u>	<u>Address</u>	<u>Number of Shares subject to the option</u>	<u>Exercise price</u>	<u>Approximate percentage shareholding upon the exercise of the option (Note 1)</u>
Pei Bo Lin <i>Technical Specialist</i>	Room 101, Block F, Roman Garden, Fu Quan Garden, Chang Ping District, Beijing, The PRC	49,995,000	HK\$1.04	2.42%
Li Shu Sheng <i>Technical Specialist</i>	Room 111, Block D, Edinburgh Garden, Fu Quan Garden, Chang Ping District, Beijing, The PRC	25,005,000	HK\$1.04	1.21%
He Jun <i>Chief Financial Officer</i>	Flat C, Tower 1, The Belcher's, 89 Pok Fu Lam Road, Hong Kong	10,815,000	HK\$1.04	0.52%
Liu Yu <i>Qualified Accountant</i>	Erqijuchang Road, 9-301, Xicheng district, Beijing, 100045	210,000	HK\$1.04	0.01%

Note: The percentage shareholding represents the percentage immediately upon completion of the Global Offering but before the exercise of the Over-allotment Option or any options granted under the Pre-IPO Share Option Scheme.

Save and except as set out above, no other options have been granted or agreed to be granted by the Company under the Pre-IPO Share Option Scheme.

Assuming that the Over-allotment Option is not exercised, the shareholding structure of the Company before and after the full exercise of all the options granted under the Pre-IPO Share Option Scheme will be as follows:

Shareholders	Shareholding structure immediately after completion of the Global Offering but before the exercise of the options granted under the Pre-IPO Share Option Scheme		Shareholding structure immediately after completion of the Global Offering and full exercise of the options granted under the Pre-IPO Share Option Scheme	
	Shares	%	Shares	%
Pro Development	689,146,150	33.34	689,146,150	32.00
Erdos	375,000,000	18.14	375,000,000	17.41
Forever Mark Group Limited	248,608,560	12.03	248,608,560	11.55
Chengwei	146,644,740	7.09	146,644,740	6.81
Anton Management	87,850,635	4.25	87,850,635	4.08
Grantees under the Pre-IPO Share Option Scheme.	—	—	86,025,000	4.00
Public shareholders	<u>520,000,000</u>	<u>25.15</u>	<u>520,000,000</u>	<u>24.15</u>
	<u>2,067,250,000</u>	<u>100.00</u>	<u>2,153,275,000</u>	<u>100.00</u>

The Company will not permit the conversion of any options granted under the Pre-IPO Share Option Scheme if as a result of the conversion the Company would not be able to comply with the minimum public float requirement of the Listing Rules.

Valuation of the options granted under the Pre-IPO Share Option Scheme

The valuation of options to be granted under the Pre-IPO Share Option Scheme was conducted based on the Binomial Model with the following assumptions:

	October 2, 2007 ^(a)	October 9, 2007 ^(b)	October 16, 2007 ^(c)
Date of grant	October 2, 2007 ^(a)	October 9, 2007 ^(b)	October 16, 2007 ^(c)
Share price at the date of grant	HK\$1.90	HK\$1.90	HK\$1.90
Exercise price per share	HK\$1.04	HK\$1.04	HK\$1.04
Annual risk free rate	4%	4.3%	4.3%
Expected volatility	35%	35%	35%
Life of the option	8 years	25 months	5 years
Expected dividend yield	Nil	Nil	Nil

Notes:

- (a) The share option has a 25 months exercise period with 50% vesting on one year after the grant date and the remaining 50% vesting on two years after the grant date.
- (b) The share option has an eight-year exercise period with 30% vesting on one year after the grant date, 30% vesting on two years after the grant date, 20% vesting on three years after the grant date, 10% vesting on four years after the grant date and the remaining 10% vesting on five years after the grant date.
- (c) The share option has a five-year exercise period with vesting period of one year from the grant date.

The fair value per share of option:

Vesting period	Grant Date: October 2, 2007	Grant Date: October 9, 2007	Grant Date: October 16, 2007
One year after the grant date	HK\$0.96	HK\$1.14	HK\$1.08
Two years after the grant date.	HK\$0.97	HK\$1.17	N/A
Three years after the grant date.	N/A	HK\$1.10	N/A
Four years after the grant date	N/A	HK\$1.21	N/A
Five years after the grant date.	N/A	HK\$1.22	N/A

The result of the Binomial Model can be materially affected by changes in the aforesaid assumptions so an option's actual value may differ from the estimated fair value of the options due to limitations of the Model.

All the options forfeited before expiry of the Pre-IPO Share Option Scheme will be treated as lapsed options which will not be added back to the number of shares available to be issued under the Pre-IPO Share Option Scheme. The options granted under the Pre-IPO Share Option Scheme are only exercisable 6 months after the Listing Date.

Effect on the earnings per share as a result of the Pre-IPO Share Options

Assuming that all the options granted under the Pre-IPO Share Option Scheme had been exercised in full during the year ending 31 December 2007 and that 2,153,275,000 Shares, comprising 2,067,250,000 Shares to be in issue immediately after the Capitalization Issue and the Global Offering and 86,025,000 Shares to be issued upon the exercise of all the options granted under the Pre-IPO Share Option Scheme, were deemed to have been in issue throughout the year ending 31 December 2007, but not taking into account any Shares which may be allotted and issued upon the exercise of the Over-allotment Option, this would have a dilutive effect on unaudited forecast basic earnings per Share from approximately RMB0.0535 to approximately RMB0.0514.

(iii) Summary of the main terms of the Pre-IPO Share Option Scheme

(a) Purpose

The Pre-IPO Share Option Scheme is a share incentive scheme and is established to recognize and acknowledge the contributions that the Eligible Participants (as defined in paragraph (b) below) have or may have made to the Group. The Pre-IPO Share Option Scheme is conditional upon the listing of the Shares on the Stock Exchange. The Pre-IPO Share Option Scheme will provide the Eligible Participants with an opportunity to have a personal stake in the Company with a view to achieving the following objectives:

- (1) motivate the Eligible Participants to optimise their performance efficiency for the benefit of the Group; and
- (2) attract and retain or otherwise maintain relationships with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

(b) *Who may join*

The Board may, at its discretion, offer to grant an option to subscribe for such number of new Shares as the Board may determine at an exercise price set out in paragraph (d) below to:

- (1) any full-time or part-time employees or potential employees, executives or officers of the Company or any of its subsidiaries; and
- (2) any directors (including non-executive directors and independent non-executive directors) of the Company or any of its subsidiaries.

(c) *Maximum number of Shares*

The maximum number of Shares in respect of which options may be granted under the Pre-IPO Share Option Scheme is 86,025,000 Shares.

(d) *Price of Shares*

The subscription price of a Share in respect of any particular option granted under the Pre-IPO Share Option Scheme shall be HK\$1.04. HK\$1.00 is payable by the grantee to the Company on acceptance of the options granted under the Pre-IPO Share Option Scheme.

(e) *Rights are personal to grantee*

An option is personal to the grantee and may be exercised or treated as exercised, as the case may be, in whole or in part. No grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option or attempt so to do.

(f) *Time of exercise of option and duration of the Pre-IPO Share Option Scheme*

The grantees to whom an option has been granted under the Pre-IPO Share Option Scheme will be entitled to exercise his/her option in the following manner:

- (1) In respect of the options granted to Pei Bo Lin and Li Shu Sheng:
 - (i) up to 50% of the Shares that are subject to the option so granted (rounded down to the nearest whole number) at any time during the period commencing on the 1st anniversary of the date on which the option is granted and ending on the expiration of the 25th month from the date on which the option is granted; and
 - (ii) such number of Shares subject to the option granted less the number of Shares in respect of which the option has been exercised (rounded down to the nearest whole number) at any time during the period commencing from the expiry of the 2nd anniversary of the date on which the option is granted and ending on the expiration of the 25th month from the date on which the option is granted.

- (2) In respect of the options granted to He Jun:
- (i) up to 30% of the Shares that are subject to the option so granted (rounded down to the nearest whole number) at any time during the period commencing on the 1st anniversary of the date on which the option is granted and ending on the expiration of the 8th anniversary from the date on which the option is granted;
 - (ii) up to 60% of the Shares that are subject of the options less the amount of the Shares in respect of which the option has been exercised (rounded down to the nearest whole number) at any time during the period commencing on the 2nd anniversary of the date on which the option is granted and ending on the expiration of the 8th anniversary from the date on which the option is granted;
 - (iii) up to 80% of the Shares that are subject of the options less the amount of the Shares in respect of which the option has been exercised (rounded down to the nearest whole number) at any time during the period commencing on the 3rd anniversary of the date on which the option is granted and ending on the expiration of the 8th anniversary from the date on which the option is granted;
 - (iv) up to 90% of the Shares that are subject of the options less the amount of the Shares in respect of which the option has been exercised (rounded down to the nearest whole number) at any time during the period commencing on the 4th anniversary of the date on which the option is granted and ending on the expiration of the 8th anniversary from the date on which the option is granted;
 - (v) such number of Shares subject to the option granted less the number of Shares in respect of which the option has been exercised (rounded down to the nearest whole number) at any time during the period commencing from the expiry of the 5th anniversary of the date on which the option is granted and ending on the expiration of the 8th anniversary from the date on which the option is granted.
- (3) In respect of the options granted to Liu Yu:
- (i) such number of Shares subject to the option granted at any time during the period commencing from the expiry of the 1st anniversary of the date on which the option is granted and ending on the expiration of the 5th anniversary from the date on which the option is granted.

(g) *Ranking of Shares*

The Shares to be allotted upon the exercise of an option will not carry voting rights until completion of the registration of the grantee (or any other person) as the holder thereof. Subject to the aforesaid, Shares allotted and issued on the exercise of options will rank *pari passu* and shall have the same voting, dividend, transfer and other rights, including those arising on liquidation as attached to the other fully-paid Shares in issue on the date of exercise, save that they will not rank for any dividend or other distribution declared or recommended or resolved to be paid or made by reference to a record date falling on or before the date of exercise.

(h) *Effect of alterations to capital*

In the event of capitalization issue, rights issue, open offer, consolidation, subdivision or reduction of share capital of the Company, such corresponding alterations (if any) shall be made in the number or nominal amount of Shares subject to any options so far as unexercised and/or the subscription price per Share of each outstanding option and/or the method of exercise of the option as the auditors of the Company or an independent financial adviser shall certify in writing to the Board to be in their/his opinion fair and reasonable in compliance with Rule 17.03(13) of the Listing Rules and the note thereto and the supplementary guidance attached to the letter from the Stock Exchange dated September 5, 2005 to all issuers relating to pre-IPO share option schemes (the “Supplemental Guidance”). Any such alterations will be made on the basis that a grantee shall have the same proportion of the issued share capital of the Company (as interpreted in accordance with the Supplemental Guidance for which any grantee of an option is entitled to subscribe pursuant to the options held by him before such alteration and the aggregate subscription price payable on the full exercise of any option is to remain as nearly as possible the same (and in any event not greater than) as it was before such event. No such alteration will be made the effect of which would be to enable a Share to be issued at less than its nominal value. The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such alterations. Any adjustment to be made will comply with the Listing Rules, the Supplemental Guidance and any future guidance/interpretation of the Listing Rules issued by the Stock Exchange from time to time.

(i) *Expiry of option*

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (1) the date of expiry of the option as may be determined by the Board;
- (2) the date of commencement of the winding-up of the Company in accordance with the Companies Act;
- (3) the date on which the grantee ceases to be an Eligible Participant for any reason. A resolution of the Board to the effect that the employment of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive; or
- (4) the date on which the Board shall exercise the Company’s right to cancel the option in accordance with paragraph (k) below.

(j) *Alteration of the Pre-IPO Share Option Scheme*

The Pre-IPO Share Option Scheme may be altered in any respect by resolution of the Board except that any material alteration to the terms and conditions of the Pre-IPO Share Option Scheme or any change to the terms of options granted, shall first be approved by the Shareholders in general meeting provided that if the proposed alteration shall adversely affect any option granted or agreed to be granted prior to the date of alteration, such alteration shall be further subject to the grantees’ approval in accordance with the terms of the Pre-IPO Share Option Scheme.

(k) *Cancellation of Options*

Any cancellation of options granted but not exercised must be approved by the grantees of the relevant options.

(l) *Termination of the Pre-IPO Share Option Scheme*

The Company may by resolution in general meeting or the Board at any time terminate the Pre-IPO Share Option Scheme and in such event no further option shall be offered but the provisions of the Pre-IPO Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior thereto or otherwise as may be required in accordance with the provisions of the Pre-IPO Share Option Scheme.

Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the Pre-IPO Share Option Scheme.

(m) *Administration of the Board*

The Pre-IPO Share Option Scheme shall be subject to the administration of the Board whose decision as to all matters arising in relation to the Pre-IPO Share Option Scheme or its interpretation or effect (save as otherwise provided herein) shall be final and binding on all parties.

(n) *Disclosure in annual and interim reports*

The Company will disclose details of the Pre-IPO Share Option Scheme in its annual and interim reports including the number of options, date of grant, exercise price, exercise period and vesting period during the financial year/period in the annual/interim reports in accordance with the Listing Rules in force from time to time.

3. Tax and other indemnities

Luo Lin and Pro Development have entered into a deed of indemnity with and in favour of the Company (for itself and as trustee for each of its present subsidiaries) (being the contract referred to in paragraph (2) of the subsection headed “Summary of material contracts” in this appendix) to provide indemnities on a joint and several basis in respect of, among other matters, (i) taxation resulting from income, profits or gains earned, accrued or received as well as any claim to which the Company or any member of the Group that may be subject on or before the Global Offering becomes unconditional (the “Effective Date”) which might be payable by any member of the Group, and Hong Kong estate duty which might be payable by any member of the Group, by reason of any transfer of property (within the meaning of Section 35 of the Estate Duty Ordinance, Chapter 111 of the Laws of Hong Kong, as amended by the Revenue (Abolition of Estate Duty) Ordinance) to any member of the Group on or before the Effective Date; and (ii) any losses, claims, costs and expenses that any members of the Group may suffer in the event of being prohibited from using or occupying certain premises for the existing use or being evicted from certain properties before the expiration of their relevant terms.

4. Litigation

As at the Latest Practicable Date, save as disclosed in this prospectus, no member of the Group was engaged in any litigation or arbitration of material importance and, so far as the Directors are aware, no litigation or claim of material importance is pending or threatened by or against any member of the Group.

5. Sponsors

The Joint Sponsors have made an application on behalf of the Company to the Listing Committee of the Stock Exchange for a listing of, and permission to deal in, the Shares in issued, the Shares to be issued pursuant to the Capitalization Issue and the Shares to be issued as mentioned in this prospectus (including any Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option or options which have been granted under the Pre-IPO Share Option Scheme and may be granted under the Share Option Scheme).

6. Preliminary expenses

The preliminary expenses of the Company are estimated to be approximately HK\$12,950 and are payable by the Company.

7. Promoter

There are no promoters of the Company. Saved as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Share Offer and the related transactions described in this prospectus.

8. Taxation of holders of Shares**(a) Hong Kong**

The sale, purchase and transfer of Shares registered with the Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty, the current rate charged on each of the purchaser and seller is 0.1% of the consideration or, if higher, of the fair value of the Shares being sold or transferred. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax. The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on February 11, 2006 in Hong Kong. No Hong Kong estate duty is payable and no estate duty clearance papers are needed for a grant of representation in respect of holders of Shares whose death occurs on or after February 11, 2006.

(b) Cayman Islands

Under present Cayman Islands law, there is no stamp duty payable in the Cayman Islands on transfers of Shares provided that the Company does not own any interests in land in the Cayman Islands.

(c) Consultation with professional advisers

Intending holders of the Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares. It is emphasised that none of the Company, the Directors or the other parties involved in the Share Offer will accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares or exercise of any rights attaching to them.

9. Qualification of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualifications
Credit Suisse (Hong Kong) Limited	Licensed corporation under the SFO for type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities
J.P. Morgan Securities (Asia Pacific) Limited	Deemed licensed corporation under the SFO for type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 7 (providing automated trading services) regulated activities
PricewaterhouseCoopers	Certified Public Accountants
Tian Yuan Law Firm	Qualified PRC lawyers
Maples and Calder	Cayman Islands attorneys-at-law
Savills Valuation and Professional Services Limited	Professional property surveyors and valuers

10. Consents of experts

Each of Credit Suisse (Hong Kong) Limited, J.P. Morgan Securities (Asia Pacific) Limited, PricewaterhouseCoopers, Tian Yuan Law Firm, Maples and Calder and Savills Valuation and Professional Services Limited has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or valuation certificate and/or opinion and/or the references to its name included herein in the form and context in which it is respectively included.

11. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies Ordinance so far as applicable.

12. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

13. Miscellaneous

- (a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:
 - (i) no share or loan capital of the Company or any of its subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;
 - (ii) no share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of the Company or any of its subsidiaries;
 - (iv) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in the Company or any of its subsidiaries;
- (b) save as disclosed in this prospectus, there are no founder, management or deferred shares nor any debentures in the Company or any of its subsidiaries;
- (c) none of the persons named in the sub-paragraph headed “Consents of experts” in this appendix is interested beneficially or otherwise in any shares of any member of the Group or has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any securities in any member of the Group;
- (d) the Directors confirm that there has been no material adverse change in the financial or trading position or prospects of the Group since June 30, 2007 (being the date to which the latest audited combined financial statements of the Group were made up);
- (e) there has not been any interruption in the business of the Group which may have or has had a significant effect on the financial position of the Group in the 12 months preceding the date of this prospectus;
- (f) the principal register of members of the Company will be maintained in Hong Kong by Computershare Hong Kong Investor Services Limited. All transfer and other documents of title of the Shares must be lodged for registration with and registered by the Company’s share register in Hong Kong. All necessary arrangements have been made to enable the Shares to be admitted to CCASS;
- (g) no company within the Group is presently listed on any stock exchange or traded on any trading system.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of the prospectus delivered to the Registrar of Companies in Hong Kong for registration were copies of the white, yellow and green application forms, the written consents referred to in “Other information — Consents of expects” in Appendix VIII to the prospectus and copies of the material contracts referred to in “Further information about the business — Summary of material contracts” in Appendix VIII to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Sidley Austin at 39th Floor, Two International Finance Centre, 8 Finance Street, Central, Hong Kong during normal business hours up to and including 14 days from the date of this prospectus:

- (a) the Memorandum of Association and the Articles of Association;
- (b) the accountant’s report of our Company and for Hinen-Hitech prepared by PricewaterhouseCoopers, the text of which is set out in Appendices I and II respectively to this prospectus;
- (c) where applicable, the audited financial statements of the Company’s subsidiaries for the three years ended December 31, 2006 (or for the period since their respective dates of incorporation where it is shorter);
- (d) the letter from PricewaterhouseCoopers relating to the unaudited pro forma financial information, the text of which is set out in Appendix III to this prospectus;
- (e) the letter from PricewaterhouseCoopers relating to the profit forecast of the Group, the text of which is set out in Appendix IV to this prospectus;
- (f) the letter from the Joint Sponsors relating to the profit forecast of the Group, the text of which is set out in Appendix IV to this prospectus;
- (g) the letter, summary of values and valuation certificates relating to the property interests of the Group prepared by Savills Valuation and Professional Services Limited, the texts of which are set out in Appendix V to this prospectus;
- (h) the PRC legal opinion(s) prepared by Tian Yuan Law Firm;
- (i) the material contracts referred to in “Further information about the business — A. Summary of material contracts” in Appendix VIII to this prospectus;
- (j) the rules of the Pre-IPO Share Option Scheme;
- (k) the rules of the Share Option Scheme;
- (l) the service contracts referred to in “Particulars of service contracts” in Appendix VIII to this prospectus;

- (m) the written consents referred to in “Other information — Consents of experts” in Appendix VIII to this prospectus;
- (n) the letter dated the date of this prospectus and prepared by Maples and Calder summarizing certain aspects of Cayman Islands company law as referred to in Appendix VII to this prospectus;
and
- (o) Cayman Companies Law.

Anton Oilfield Services Group
安東油田服務集團

(incorporated in the Cayman Islands with limited liability)