

**MANAGEMENT*****Board of Directors***

The Board consists of eight Directors, one of whom is a non-executive Director and four of whom are independent non-executive Directors. The Directors were elected at shareholders' meetings of our Company for a term commencing on 25 April 2006 (except for Mr. Wu Xiaohua, the term of whose office commenced on 3 July 2006) and expiring on 24 April 2009, renewable upon re-election and re-appointment. The duties and responsibilities conferred on the Board include: convening shareholders' meetings and reporting its work to the shareholders' meetings, implementing the resolutions of the shareholders' meetings, determining our Company's business and investment plans, formulating our Company's annual budget and final accounts, formulating our Company's proposals for dividend and bonus distributions and for the increase or reduction of registered capital as well as exercising other powers, duties and responsibilities as conferred by the Articles of Association.

***Supervisory Committee***

The Company Law requires a joint stock limited company to establish a supervisory committee and this requirement is also contained in the Articles of Association. The supervisory committee is responsible for monitoring our Company's financial matters and overseeing the actions of the Board and the management personnel of our Company. Our supervisory committee consists of three Supervisors, one of whom is elected as shareholders' representative, one of whom is elected by the employees of our Company and one of whom is an independent Supervisor. The term of office of the Supervisors is three years. An elected Supervisor cannot concurrently hold the position of a Director, member of senior management or financial controller in our Company. The duties and responsibilities conferred on the supervisory committee include: attending board meetings, examining financial affairs, examining balance sheets, profit and loss accounts, business reports, dividend distribution proposals and other financial information proposed at shareholders' general meetings by the Directors from time to time and overseeing the actions of the Board and other senior management personnel of our Company when carrying out their duties. The supervisory committee is entitled to initiate legal proceedings against the Directors or senior management personnel on behalf of our Company upon the request of the shareholders pursuant to the Company Law. A resolution proposed at any meeting of the supervisory committee shall be adopted only if it is approved by two-thirds or more of the Supervisors.

There is no family relationship between any of our Directors, Supervisors and members of the senior management of our Company.

**DIRECTORS**

The following table sets out certain information concerning our Directors.

<u>Name</u>	<u>Age</u>	<u>Position in our Company</u>
WU Mengfei	51	Chairman and Non-Executive Director
YANG Yexin	50	Executive Director and Chief Executive Officer and President
FANG Yong	46	Executive Director and Executive Vice President
CHEN Kai	49	Executive Director and Executive Vice President
WANG Wenshan	70	Independent Non-Executive Director
ZHANG Xinzhi	62	Independent Non-Executive Director
WU Xiaohua	60	Independent Non-Executive Director
TSUI Yiu Wa, Alec	57	Independent Non-Executive Director

Mr. Wu Mengfei will continue to hold positions with the CNOOC Group including a position with CNOOC as the chief financial officer and a position with COSL as a non-executive director. He is our Chairman and non-executive Director and will only be involved in high-level decision making of important strategic and policy matters. Our day-to-day management decisions are made by our executive Directors and members of our senior management who do not hold any positions with any member of the CNOOC Group. Mr. Wu understands that his fiduciary duties are owed to us and our shareholders as a whole but not to any particular shareholder. Mr. Wu will comply with our Articles of Association and applicable laws and regulations in respect of any matters that involve any conflict of interests.

### *Executive Directors*

**YANG, Yexin** (楊業新), 50, is an executive Director and also the Chief Executive Officer and President of our Company. He has over 20 years' experience in business and management and has overall responsibility for our operations. Mr. Yang graduated from Wuhan Communication Technology University in 1978 with a major in vessel engineering and obtained a master's degree in management engineering from Beijing University of Petroleum in 2004. He joined the CNOOC Group in 1978 and served as a mechanical officer and the deputy head of the mechanics division of China Offshore Oil Southern Drilling Company before 1992, the deputy general manager of CNOOC Nanhai West CPEC (Shekou) Company from 1992, the chief officer of the equipment division of CNOOC Nanhai West Corporation from 1993, the deputy general manager of China Offshore Oil Southern Drilling Company from 1994 to 1999, the general manager of China Offshore Oil Southern Shipping Company from 1999 to 2001, the general manager of CNOOC Shipping Company Limited from 2001 to 2002, and a director and executive vice president of COSL from August 2002 to September 2003. Mr. Yang joined our Company in August 2003 when he was appointed as a director and the chairman of CNOOC Fudao Co., Limited (the predecessor of CNOOC Fudao). He was appointed as a director of CNOOC Chemical (our predecessor) in September 2003 and the general manager of CNOOC Chemical in October 2005, and has been the chairman of CNOOC Jiantao and Hainan Basuo since their incorporation. Mr. Yang was appointed as our executive Director in April 2006 upon the restructuring of our Company as a joint stock limited company.

**FANG, Yong** (方勇), 46, is an executive Director and an Executive Vice President of our Company. He has approximately 15 years of experience in the mineral fertilizer industry and is now responsible for the day-to-day management of our Hainan operations and services relating to our agricultural fertilizers. Mr. Fang graduated from Shangdong TV University in 1984 with a major in electronics. In 1998, Mr. Fang completed a graduate professional program in international trade at the Chinese Academy of Social Sciences. He undertook an EMBA program at Raj Soin College of Business of the Wright State University in the USA from March 2005 to May 2006. He worked for Shandong Shengli Institute of Oilfield Geology from 1976 to 1984, and then joined Henan Zhongyuan Oilfield as the head of the contract management division under the ethylene management office. Mr. Fang joined our Company in 1992. He served as the head of foreign affairs, the manager of the sales office and assistant to general manager of CNOOC Fudao Co., Limited (the predecessor of CNOOC Fudao) before he was appointed as a deputy general manager of CNOOC Chemical (our predecessor) in April 2001 and as a director and the president of CNOOC Fudao Co., Limited in December 2001. He was appointed as a director of CNOOC Chemical in November 2003 and a deputy general manager in October 2005. Mr. Fang was appointed as our executive Director in April 2006 upon the restructuring of our Company as a joint stock limited company.

**CHEN, Kai** (陳愷), 49, is an executive Director and an Executive Vice President of our Company. He has more than 20 years of experience in management and now he has overall responsibility for the operation of Tianye Chemical. He graduated from Zhongshan University in 1982 with a major in philosophy. Mr. Chen joined the CNOOC Group in 1982 and served as the deputy director of the cultural centre, the head of the promotions division and an office director of CNOOC Nanhai West Corporation. From August 2002 to October 2005, he was a vice president of COSL. He joined Tianye Chemical in July 2004 as the general manager. Mr. Chen has been a deputy general manager of CNOOC Chemical (our predecessor) since October 2005 and the chairman and general manager of Tianye Chemical since February 2006. Mr. Chen was appointed as our executive Director in April 2006 upon the restructuring of our Company as a joint stock limited company.

#### *Non-Executive Director*

**WU, Mengfei** (吳孟飛), 51, is a non-executive Director and the Chairman of our Company. He has more than 18 years of business and management experience. Mr. Wu graduated from East China Petroleum Institute (subsequently renamed as “Petroleum University”) in 1982 with a major in chemical instrument and automation. He obtained a master degree from East China Petroleum Institute in 1986, and a MBA degree from Massachusetts Institute of Technology in 2002. From 1986 to 1988, Mr. Wu was a lecturer at the graduate division of East China Petroleum Institute. He joined the CNOOC Group in 1988 and served as the head of the planning office, a deputy director of the planning & financial department and the director of the planning & treasury department of CNOOC. From September 1999 to June 2002, Mr. Wu was a senior vice president and chief financial officer of CNOOC Limited. From July 2002 to March 2006, he became an executive vice president and the chief financial officer of COSL. He was an executive director of COSL from May 2004 to March 2006, and was appointed as a non-executive director of COSL in April 2006. Since April 2006, Mr. Wu has also been the chief financial officer of CNOOC. Mr. Wu was appointed as our non-executive Director in April 2006.

#### *Independent non-executive Directors*

**WANG, Wenshan** (王文善), 70, is an independent non-executive Director. He has over 43 years of experience in engineering design and technology management for the chemical fertilizer industry and is a senior engineer at professor level. Mr. Wang is a graduate of Tianjin University (Chemical Engineering Department) majoring in inorganic processes. From 1969 to 1976, he was the person-in-charge of engineering design for a nitrogenous fertilizer project in Albania supported by China. After returning to China in 1976, he was transferred to the Department of Mineral Fertilizers under the Chemical Ministry of China where he served as the office head and the deputy department head in charge of technology management of newly launched large-scale fertilizer installation projects. In 1988, he became a deputy department head of the Department of Infrastructure under the Chemical Ministry overseeing design and construction of chemical projects. Mr. Wang was appointed as a director of the China Chemical and Exploration Design Association in 1992. He became a deputy general engineer of the Chemical Ministry as well as a deputy director of the economics and technology committee under the Chemical Ministry in 1993, and was appointed as the chief executive of CNFA in 1996. Mr. Wang was appointed as our independent non-executive Director in April 2006.

**ZHANG, Xinzhi** (張新志), 62, is an independent non-executive Director. He has more than 35 years of experience in engineering and management in the petrochemical industry and is a senior engineer at professor level. Mr. Zhang obtained a bachelor’s degree from University of Science and

Technology of China in 1967. From 1967 to 1989, he was with No. 3 Fushun Petroleum Factory where he had served as a technical officer, an engineer and a deputy plant manager. He was a deputy general engineer of Fushun Petroleum Chemical Corporation in 1990, a deputy manager of the Fushun Petroleum and Chemical Company of Sinopec Corporation in 1992, and a manager of Fushun Petroleum Chemical Corporation of Sinopec Corporation in 1995. Mr. Zhang joined PetroChina Corporation in 1999, and served as a director of the refinery and chemical department, the general manager of the chemical and sales branch, a vice president, and a deputy director of the consulting centre. In 2003, he was appointed as honorary director of the sixth session of the China Petroleum Society. From 2003 to 2004, he was engaged as an instructor for part-time doctoral students by the Dalian Institute of Chemical Physics, the Institute of Chemistry and Lanzhou Institute of Chemical Physics with China Academy of Science. Mr. Zhang was appointed as our independent non-executive director in April 2006.

**WU, Xiaohua** (吳曉華), 60 is an independent non-executive Director. He has more than 30 years of experience in engineering and corporate management. Mr. Wu was conferred a bachelor's degree from China University of Science and Technology in 1968. From 1973 to 1982, he was with Guilin Institute of Electrical Sciences where he had served as an engineer. Mr. Wu was a deputy head of department, the head of department and deputy head of the Electrical Appliance Bureau of the Ministry of Mechanical Industry from 1982 to 1992. He was a deputy general manager of Xian Electrical Machinery and Equipment Manufacturing Company from 1992 to 1995, and was the head of the Department of Major Equipment under the Ministry of Mechanical Industry from 1995 to 1998. Mr. Wu was the general manager of China Machinery and Equipment Import and Export Company from 1998 to 1999 and was the head of the Department of Mechanical Industry from 1999 to 2001. From 2001 to March 2006, he took up several positions with official authorities of the PRC. Mr. Wu was appointed as our independent non-executive Director in July 2006.

**TSUI, Yiu Wa Alec** (徐耀華), 57, is an independent non-executive Director. He has more than 30 years of experience in the securities market and financial management. Mr. Tsui graduated from the University of Tennessee with a bachelor of science degree and a master of engineering degree in industrial engineering. He completed the program for senior managers in government at the John F. Kennedy School of Government at Harvard University. Mr. Tsui served at various international companies, including Arthur Andersen & Co and Swire Bottlers Limited, and China Light and Power Company Limited for 12 years in relation to information technology, financial analysis, corporate planning and management. He was the general manager (finance, technology & human resources), an assistant director (licensing) and the general manager (human resources) of the SFC from 1989 to 1993. Mr. Tsui joined the Hong Kong Stock Exchange in 1994 as an executive director of the finance and operations services division and became the chief executive in 1997. From 2001 to 2004, he was chairman of the Hong Kong Securities Institute. He was an adviser and a council member of the Shenzhen Stock Exchange from July 2001 to June 2002. At present, Mr. Tsui serves as an independent non-executive director in a number of Hong Kong main board listed companies, namely, Industrial and Commercial Bank of China (Asia) Ltd. (from August 2000), China Chengtong Development Group Ltd. (from March 2003), COSCO International Holdings Ltd. (from February 2004), China Power International Development Ltd. (from March 2004), Synergis Holdings Ltd. (from January 2005) and Greentown China Holdings Limited (from June 2006), and a Hong Kong GEM listed company, Vertex Communications & Technology Group Ltd. (from March 2002). He previously was an independent non-executive director to a Hong Kong main board listed company, Citic 21 CN Company Limited (from September 2000 to November 2005), and several Hong Kong GEM listed companies, namely, Value Convergence Holdings Limited (from November 2000 to July 2004),

Techpacific Capital Limited (from August 2001 to June 2004) and Stockmartnet Holdings Ltd. (from December 2001 to June 2005). He is also a director of Hong Kong Professional Consultant Association and of Harbour Networks Holdings Limited. Mr. Tsui was appointed as our independent non-executive Director in April 2006.

## **SUPERVISORS**

The following table sets out certain information concerning our Supervisors.

<u>Name</u>	<u>Age</u>	<u>Position in our Company</u>
YIN Jihong	56	Supervisor
QU Bin	36	Supervisor
HUANG Jinggui	43	Independent Supervisor

**YIN, Jihong** (尹寄鴻), 56, is the chairman of our supervisory committee. He has more than 20 years' experience in labor relations and human resources matters. Mr. Yin graduated from Beijing College of Economics and Management with a bachelor's degree in labor economics. He served as the head of labor affairs at Beijing Automobile Industry Company from 1982 to 1985. He joined CNOOC in 1985, and served as the head of the wages affairs office and the chief economist in the human resources department. Since April 2003, Mr. Yin has been the chairman of the supervisory committee of CNOOC. He is also the chairman of the supervisory committees of several other members of the CNOOC Group. Mr. Yin was appointed as our Supervisor in April 2006.

**QU, Bin** (屈斌), 36, is a Supervisor elected by our employees. He has more than 14 years' experience in business management. Mr. Qu graduated from Beijing University of Chemical Technology with a major in management engineering in 1992 and then joined our Company. He served at various departments such as the technology office, the human resources management office, and financial planning department of CNOOC Fudao Co., Limited (the predecessor of CNOOC Fudao). He had also been a deputy manager of the securities law division and a supervisor (elected by employees) of CNOOC Fudao Co., Limited, and the general manager of the audit & supervising department of our Company. Mr. Qu was appointed as our Supervisor in April 2006.

**HUANG, Jinggui** (黃景貴), 43, is our independent Supervisor. He is a university professor and has more than 13 years' experience in teaching. He graduated from Wuhan University with a bachelor's degree in economics in 1986, and pursued post-graduate studies at the School of Economics in Peking University. He obtained a doctorate degree in economics from the University of Moscow in 1994. Dr. Huang is the dean of the School of Economics and Management of Hainan University and the head of the university's Master of Business Administration Education Centre. He is a vice president of the Hainan Federation of Industrial Economics, a vice president of Hainan Consumers Association, a vice president of Hainan Economics Society and an executive director of China Global Economy Society. Dr. Huang was also a part-time professor at Russia State University of Management, China Institute of Management Science, Sichuan Global Economy Society, Economics Centre of Shenzhen University, Institute of Economic Development at Wuhan University as well as Liaoning University. Dr. Huang was appointed as our Supervisor in April 2006.

**SENIOR MANAGEMENT**

The following table sets out certain information concerning members of our senior management.

<u>Name</u>	<u>Age</u>	<u>Position in our Company</u>
QUAN Changsheng	40	Vice President and Chief Financial Officer
HONG Junlian	43	Vice President
LIANG Mingchu	54	Vice President
MIAO Qian	43	Vice President
MENG Jun	46	Vice President, Secretary to the Board and a Joint Company Secretary
SONG Jian	50	General Manager of Sales Department and an Assistant to General Manager
YAN Xishuan	46	General Manager of Facilities Maintenance Department (previously known as Chemical Engineering Department) and Chief Mechanical Supervisor
ZHAO Liang	43	General Manager of Technical Equipment Department and Chief Technical Supervisor
GU Weihua	44	General Manager of Board Secretarial Office
LEE Tze Leung, Raymond	43	Qualified Accountant and a Joint Company Secretary

None of the members of our senior management holds a position with any member of the CNOOC Group.

The business address of each member of our senior management is No.1 Zhu Jiang South Street, Dongfang City, Hainan Province, the PRC.

**QUAN, Changsheng** (全昌勝), 40, is a Vice President and Chief Financial Officer of our Company and is responsible for our financial planning, budgeting, accounting, auditing, treasury management and other aspects relating to capital markets. He has 20 years of experience in accounting and financial management. Mr. Quan graduated from East China Petroleum Institute (subsequently renamed as “Petroleum University”) in 1986 with a major in business management, and then joined the CNOOC Group. He was accountant, senior accountant, budget and reporting supervisor and accounting supervisor in different divisions of CNOOC Nanhai East Corporation, a finance manager of the CNOOC QHD32-6 Operating Company from 1999 to 2002, and a finance manager of the Tianjin branch of CNOOC China Limited from 2002 to 2006. Mr. Quan joined our Company in March 2006 and was appointed as a Vice President and our Chief Financial Officer in May 2006.

**HONG, Junlian** (洪俊煉), 43, is a Vice President of our Company and is responsible for our IT management (ERP management), corporate culture, administration and property management. He has over 20 years’ experience in the business and administration management. Mr. Hong graduated from Guangdong Petroleum College with a major in petroleum geology in 1983. He obtained a master of business administration degree from a joint program offered by Shanghai Communication University and the Open University of Hong Kong in 2003. He joined CNOOC Nanhai West Corporation and served as a deputy head, the head of the secretarial department and a deputy office director. He joined our Company in 1996 and was appointed as the head of the administration office of CNOOC Chemical (our predecessor) upon its establishment. Mr. Hong served as an assistant to general manager, the general manager of the industrial (logistics) department and a deputy general manager of CNOOC Chemical.

**LIANG, Mingchu** (梁明初), 54, is a Vice President of our Company and is responsible for the production operations, facilities and equipment management of our operations in Hainan. He has 25

years' experience in engineering management. Mr. Liang graduated from Hunan Chemical Technology School with a major in inorganic chemistry in 1975. He then joined the Sinopec Group's Dongting Nitrogenous Fertilizer Factory (which was subsequently renamed Sinopec (Baling) Corporation) and served as a deputy head of its No. 1 factory, a deputy head of the production office, the head of the engineering management office, and a deputy general engineer. Mr. Liang joined our Company in July 2000. He was assistant to general manager of CNOOC Fudao Co., Limited (the predecessor of CNOOC Fudao) from 2001 to October 2005, and then he was appointed as a deputy general manager of CNOOC Chemical (our predecessor).

**MIAO, Qian** (繆乾), 43, is a Vice President of our Company and is responsible for our project construction development, infrastructure planning and construction management. He has 23 years' experience in engineering management. Mr. Miao graduated from Fuzhou University in 1983 with a major in civil construction. He then joined the CNOOC Group and served as a deputy head of the engineering management division of CNOOC Nanhai West Corporation, the head of the engineering management division of CNOOC Nanhai West Real Estate Company and a manager of CNOOC Nanhai West Jian Yuan Company. He joined our Company in May 2002 and served in our methanol project department. Mr. Miao was an assistant to the general manager of CNOOC Chemical (our predecessor) until October 2005 when he was appointed as a deputy general manager of CNOOC Chemical.

**MENG, Jun** (孟軍), 46, is a Vice President, Secretary to the Board and a Joint Company Secretary of our Company. He is responsible for our treasury operations, investment, asset acquisitions and integration, company secretarial and compliance duties. He has 24 years of experience in accounting and financial management. Mr. Meng studied at the Department of Economics of Xiamen University from 1980 to 1982 and at the Department of Economics of Shantou University from 1987 to 1990. He obtained a master of business administration degree from a joint program offered by Shanghai Communication University and the Open University of Hong Kong in 2003. Mr. Meng joined CNOOC Nanhai West Corporation in 1978 and served as the head of the accounting and finance unit and the chief accountant. He joined our Company in 1997 and served as a manager of the financial planning department of CNOOC Chemical (our predecessor) and the chief accountant and a manager of the financial planning department of CNOOC Fudao Co., Limited (the predecessor of CNOOC Fudao). Mr. Meng was the chief financial officer of CNOOC Fudao Co., Limited from 2001 to October 2005, and the chief financial officer of CNOOC Chemical between October 2005 and April 2006.

**SONG, Jian** (宋堅), 50, is the general manager of our sales department, and an assistant to general manager and is responsible for the marketing of our products and services relating to our agricultural fertilizers. He has more than 25 years of experience in business management. Mr. Song graduated from Sun Yat-Sen University in 1986 with a major in Chinese language and literature. He started his career with Guizhou Kaili No. 830 Factory in 1971. He joined the CNOOC Group in 1979 and served as a deputy general manager of Huihai Oil Co. Limited, an operations manager of CNOOC Hainan LNG Co. Limited, the chief economist of Hainan Petroleum and Natural Gas Company Limited seconded by CNOOC China Sales Limited, and a deputy general manager of CNOOC Hainan Power Generation Co., Ltd. He formally joined our Company in 1996 and served as the product sales manager, an assistant to the general manager and the general manager of the sales department of CNOOC Fudao Co., Limited (the predecessor of CNOOC Fudao) to April 2006.

**YAN, Xishuan** (閻錫栓), 46, is the general manager of our facilities maintenance department (previously known as the chemical engineering department) and our chief mechanical supervisor. His responsibility is in relation to the production equipment of Fudao Phase I and Fudao Phase II. He has over 20 years of experience in mechanical engineering and chemical engineering. Mr. Yan graduated from Zhengzhou University of Technology in 1982 with a major in chemical machinery. He obtained a master of business administration degree from a joint program offered by Shanghai Communication University and the Open University of Hong Kong in 2003. From 1982 to 1994, he worked at Henan Anyang Mineral Fertilizer Factory where he served as the head of the equipment division and a deputy head of the mechanics office. He joined our Company in 1994, and served as the head of the machinery repair division of the predecessor of CNOOC Fudao, a deputy manager of the technical equipment department of CNOOC Chemical (our predecessor), the general manager of the production equipment department of CNOOC Fudao Co., Limited (the predecessor of CNOOC Fudao), an assistant to the general manager of CNOOC Fudao, and from December 2004 to April 2006, the general manager of the chemical engineering department of CNOOC Fudao.

**ZHAO, Liang** (趙亮), 43, is the general manager of our technical equipment department and our chief technical supervisor. His responsibility is in relation to facilities and equipment management of Fudao Phase I and Fudao Phase II. He has over 23 years of experience in instrument engineering and electrical engineering. Mr. Zhao graduated from Nanjing Chemical Institute (now Nanjing Chemical University) in 1983 with a major in automation. He obtained a master of business administration degree from a joint program offered by Shanghai Communication University and the Open University of Hong Kong in 2003. Mr. Zhao worked for Shanxi Mineral Fertilizer Factory from 1983 to 1993, where he had served as a deputy head of the electronic instrument workshop, a deputy head of the instrument workshop and a deputy director of the measurement and control centre. He joined our Company in late 1993. He served as the head of the automation department of the predecessor of CNOOC Fudao, a deputy general manager of the inspection and maintenance division of CNOOC Chemical (our predecessor), a deputy general manager of the plants operation supporting department of CNOOC Fudao Co., Limited (the predecessor of CNOOC Fudao), and the general manager of the technical equipment department and the chief technical supervisor of CNOOC Fudao to April 2006.

**GU, Weihua** (顧衛華), 44, is the General Manager of the Board Secretarial Office of our Company. He is responsible for the general coordination among our Board, the Secretary to the Board and our other departments and functions. Mr. Gu has more than 20 years' experience in the mineral fertilizer industry. He graduated from Zhejiang University in 1983 with a major in chemical machinery and he obtained a master of business administration degree from the Maastricht School of Management in the Netherlands in 2001. He served in various positions at Shanxi Mineral Fertilizer Factory from 1983 to 1994 reaching the position of head of the planning office. He joined our Company in 1994, initially as the head of the planning office of the predecessor of CNOOC Fudao and subsequently as a deputy manager of the control unit under the mineral fertilizer project division and a deputy manager of the engineering construction unit under the mineral fertilizer project division. Mr. Gu was the secretary to the board of CNOOC Fudao Co., Limited (the predecessor of CNOOC Fudao) from 2002 to April 2006.

**LEE Tze Leung, Raymond** (李子亮), 43, is our Qualified Accountant employed on a full-time basis and a Joint Company Secretary of our Company. His duties include mainly financial accounting, company secretarial and compliance duties. He has more than 16 years of experience in accounting, auditing and finance with accounting firms and companies listed in Hong Kong. Mr. Lee has an honors

bachelor degree awarded by the University of East London (formerly, the Polytechnic of East London) and a master's degree awarded by the City University of Hong Kong. He is an associate member of the Hong Kong Institute of Certified Public Accountants (HKICPA) and a fellow member of the Association of Chartered Certified Accountants (ACCA) of the United Kingdom. Mr. Lee joined CNOOC Jiantao in 2003 and was previously mainly responsible for fund management and financing arrangements for CNOOC Jiantao Methanol Plant.

## **JOINT COMPANY SECRETARIES**

The two joint Company Secretaries are MENG Jun and LEE Tze Leung, Raymond, both being members of our senior management.

## **AUDIT COMMITTEE**

Our Board has established an Audit Committee in compliance with the Rules 3.21 and 3.22 of the Hong Kong Listing Rules. The primary duties of the committee will be to review and supervise the financial reporting process and internal control system of our Company and provide advice and comments to the Board. The committee consists of three members who are all independent non-executive Directors of our Company. The Chairman is TSUI Yiu Wa, Alec. The other members are ZHANG Xinzhi and WU Xiaohua. Mr. TSUI Yiu Wa, Alec is an independent non-executive Director who we consider has appropriate professional qualifications or accounting or related financial management expertise required under Rules 3.10 and 3.21 of the Hong Kong Listing Rules, as he has been involved in financial analysis and corporate planning and management for 12 years at various international companies. Further, we believe that his previous senior positions at the SFC, the Hong Kong Stock Exchange, the Hong Kong Securities Institute and the Shenzhen Stock Exchange, coupled with his office as an independent non-executive director of various Hong Kong listed companies, have allowed him to develop the necessary expertise in financial management and internal audit to satisfy the requirements of Rules 3.10 and 3.21 of the Hong Kong Listing Rules.

## **REMUNERATION COMMITTEE**

We have set up a Remuneration Committee in accordance with the Code on Corporate Governance Practices in the Hong Kong Listing Rules. The committee considers and makes recommendations to the Board for approval of the remuneration and other benefits paid by us to Directors and members of our senior management. It also makes recommendations to the Board on our policy and structure for remuneration of our Directors and senior management, including the performance assessment criteria and incentive plans. It also monitors the implementation of our remuneration system. The committee consists of three members who are all Directors (including the majority being independent non-executive Directors). The Chairman is ZHANG Xinzhi who is our independent non-executive Director, and the other members are WU Mengfei and TSUI Yiu Wa, Alec.

## **NOMINATION COMMITTEE**

The Board has also set up a Nomination Committee in accordance with the Code on Corporate Governance Practices in the Hong Kong Listing Rules. The committee reviews the structure, size and composition (including skills, knowledge and experience) of our Board on a regular basis and makes recommendations to the Board of proposed changes. It assesses the independence of our independent non-executive Directors and makes recommendations to the Board on matters relating to the appointment, re-appointment and succession planning for Directors. The committee consists of three

members who are all Directors (including the majority being independent non-executive Directors). The Chairman is YANG Yexin who is an executive Director, and the other members are WANG Wenshan and ZHANG Xinzhi both being our independent non-executive Directors.

### **MANAGEMENT PRESENCE REQUIREMENT UNDER RULES 8.12 AND 19A.15 OF THE HONG KONG LISTING RULES**

According to Rules 8.12 and 19A.15 of the Hong Kong Listing Rules, an issuer must have a sufficient management presence in Hong Kong with at least two of the issuer's executive directors ordinarily residing in Hong Kong. Our central management, headquarters and all of our existing business are located in the PRC and all of our executive Directors are residents of the PRC. We do not and, for the foreseeable future, will not have a sufficient management presence in Hong Kong. Nevertheless, we have certain internal arrangements in place to maintain effective communication between us and the Hong Kong Stock Exchange, including appointing Ms. ZHONG Yingxin (who lives in Hong Kong) as our alternate authorized representative to act at all times as a channel of communication with the Hong Kong Stock Exchange. Ms. Zhong is our manager responsible for investor relations management. As she was previously with CNOOC Limited and COSL and has experience in dealing with enquiries from investors and the Hong Kong Stock Exchange, we believe that she will be a suitable alternate authorized representative. We will retain JPMorgan (Asia Pacific) as our compliance adviser and the principal channel of communication with the Hong Kong Stock Exchange, in addition to the authorized representatives and the alternative authorized representative, for the period commencing on the Listing Date and ending on the date on which we comply with Rule 13.46 in respect of our financial results for the first full financial year commencing after the Listing Date. Our authorized representatives (Mr. YANG Yexin and Mr. MENG Jun), their alternate and the compliance adviser will be fully available to answer queries from the Hong Kong Stock Exchange. Both Mr. Yang and Mr. Meng possess valid multiple-entry permits into Hong Kong as of the Latest Practicable Date and therefore they can easily make themselves available in Hong Kong whenever necessary to promptly deal with enquiries from the Hong Kong Stock Exchange. Accordingly, pursuant to Rule 19A.15, we have applied for and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with Rule 8.12 which requires us to have a sufficient management presence in Hong Kong.

### **REQUIREMENTS ON COMPANY SECRETARIES UNDER RULES 8.17 AND 19A.16 OF THE HONG KONG LISTING RULES**

Mr. MENG Jun, one of our joint company secretaries, does not currently possess the relevant qualification required under Rule 8.17 of the Hong Kong Listing Rule and is not ordinarily resident in Hong Kong. We have appointed, and will continue to do so for a minimum period of three years after the Listing Date, Mr. LEE Tze Leung, Raymond, who is a Hong Kong resident and a professional accountant (satisfying the required qualification stipulated in Rule 8.17(2) of the Hong Kong Listing Rules) to act as a joint company secretary in assisting Mr. MENG to acquire the necessary experience for satisfying the requirements of Rule 8.17(3) of the Hong Kong Listing Rules. Moreover, we have procedures in place to provide Mr. MENG with appropriate training in order to enable him to acquire such necessary experience. Therefore, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the requirements under Rules 8.17 and 19A.16 of the Hong Kong Listing Rules in connection with Mr. MENG's appointment as our joint company secretary for a period of three years from the Listing Date, on the condition that Mr. LEE is appointed as a joint company secretary. Upon the expiry of the three-year period, the Hong

Kong Stock Exchange will re-evaluate the qualifications of Mr. MENG to determine whether the requirements of Rules 8.17 and 19A.16 can be satisfied.

## **MANAGEMENT CONTINUITY**

Pursuant to Rule 8.05(1)(b) of the Hong Kong Listing Rules, a new listing applicant is required to demonstrate management continuity for at least the three preceding financial years. The Directors are of the view that we have complied with such requirement in respect of the three years ended 31 December 2005 (the “Three Preceding Years”). Continuity in our management is demonstrated by the stability in our core management team which consists of our General Manager, Deputy General Managers, Assistants to General Managers and department heads. A majority (including our Chief Executive Officer and President and an executive Director, Mr. Yang Yexin, who occupied a key role in the management of our business substantially throughout the Three Preceding Years) of our core management remained in key positions of responsibility with us during the Three Preceding Years. Such persons are expected to remain with us and will form the majority of our core management as of the Listing Date.

## **COMPENSATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT**

All Directors and Supervisors receive reimbursements from our Company for expenses which are necessarily and reasonably incurred for providing services to our Company or executing matters in relation to our business operations. The executive Directors and the Supervisor as the representative of the employees, who are also our employees, receive, in their capacity as employees, remuneration in the form of salaries, housing allowances, other allowances and benefits in kind, including our Company’s contribution to the pension scheme for executive Directors and Supervisors in accordance with applicable PRC law.

The aggregate amounts of salaries, housing allowances, discretionary bonuses, pension scheme contributions, other allowances and benefits in kind paid by us to our five highest paid individual employees during the three years ended 31 December 2003, 2004 and 2005 and the three months ended 31 March 2006 were approximately RMB0.8 million, RMB0.7 million, RMB1.1 million and RMB0.1 million, respectively.

During the three years ended 31 December 2003, 2004 and 2005 and the three months ended 31 March 2006, the aggregate amounts of salaries, housing allowances, discretionary bonuses, pension scheme contributions, other allowances and benefits in kind paid by us to our Directors and Supervisors were approximately RMB0.4 million, RMB0.8 million, RMB1.2 million and RMB0.2 million, respectively.

Under the arrangements currently in force, the aggregate remuneration of the Directors and Supervisors payable for the year ending 31 December 2006 is estimated to be approximately RMB1.85 million.

**EMPLOYEES**

As of 30 June 2006, we had 4,279 employees. The following table sets forth our employees' deployment by function:

	As of 31 December			As of 30 June 2006 <sup>(1)(2)</sup>
	2003	2004	2005 <sup>(1)</sup>	
Production				
Fertilizers . . . . .	330	324	366	617
Methanol . . . . .	9	2	2	66
Construction . . . . .	69	64	802	1,026
Maintenance . . . . .	228	215	225	307
Others . . . . .	282	279	339	603
Sub-total . . . . .	918	884	1,734	2,619
Quality control . . . . .	42	43	34	112
Safety and environmental protection . . . . .	7	6	38	39
Sales and marketing . . . . .	55	59	35	104
Administration . . . . .	82	73	191	286
Transportation and support . . . . .	65	62	531	856
Others . . . . .	10	6	280	263
Total . . . . .	<u>1,179</u>	<u>1,133</u>	<u>2,843</u>	<u>4,279</u>

(1) Figures include the employees of Hainan Basuo, which became our subsidiary in April 2005.

(2) Figures include the employees of Tianye Chemical after the Acquisition.

Our remuneration package for our employees includes wages and bonuses. We paid our employees an aggregate of RMB64.1 million, RMB99.6 million, RMB147.1 million and RMB51.1 million in total staff cost for the years ended 31 December 2003, 2004 and 2005 and the three months ended 31 March 2006, respectively.

We and Tianye Chemical also maintain a personal injury insurance policy to cover all employees working on the production lines. The coverage of the staff under this insurance policy is decided by job description and working environment.

Each of our employees currently pays a percentage of his or her salary as contribution to our pension scheme. Upon retirement, our employees are entitled to a pension payment from the scheme. We have no obligation for the payment of retirement and other post-retirement benefits of employees other than the contributions described above. The expenses we incurred in connection with the defined contribution pension scheme were approximately RMB12.9 million and RMB6.1 million in the year ended 31 December 2005 and the three months ended 31 March 2006, respectively.

Currently, all members of our work force are employed under employment contracts which specify the employee's position, responsibilities, remuneration and grounds for termination. Our Company and our subsidiaries have labor unions that protect employees' rights, aim to assist in the fulfillment of our and our subsidiaries' economic objectives, encourage employee participation in management decisions and assist in mediating disputes between us and union members. Each of our and our subsidiaries' operating units has a separate labor union branch. We have not experienced any strikes, work stoppages or other labor disturbances which have interfered with our operations, and we believe that we have positive relations with our employees.

**COMPLIANCE ADVISER**

We have appointed JP Morgan (Asia Pacific) as our compliance adviser pursuant to Rule 3A.19 of the Hong Kong Listing Rules to provide advisory services to us. We will consult with and, if necessary, seek advice from our compliance adviser on a timely basis in the following circumstances:

- (i) before our publication of any regulatory announcement (whether required by the Hong Kong Listing Rules or requested by the Hong Kong Stock Exchange or otherwise), circular or financial report;
- (ii) where a transaction, which might be a notifiable or connected transaction under Chapters 14 or 14A of the Hong Kong Listing Rules, is contemplated by us, including share issues and share repurchases;
- (iii) where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this Prospectus or where our business activities, developments or results deviate from any forecast, estimates, or other information in this Prospectus; and
- (iv) where the Hong Kong Stock Exchange makes an inquiry of us under Rule 13.10 of the Hong Kong Listing Rules.

The term of the appointment shall commence on the Listing Date and end on the date on which we comply with Rule 13.46 of the Hong Kong Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date.