

DIRECTORS AND SENIOR MANAGEMENT

Directors

The table below sets forth information regarding our Directors.

<u>Name</u>	<u>Age</u>	<u>Position</u>
Zhang Mi (張弭)	51	Chairman and Executive Director
Ren Jie (任杰)	41	Executive Director
Zhang Xu (張旭)	47	Executive Director
Wang Yaoxin (王堯鑫)	47	Non-executive Director
Xiang Qingsheng (相慶生)	60	Non-executive Director
He Sean Xing (何欣)	43	Non-executive Director
Qi Daqing (齊大慶)	43	Independent Non-executive Director
Liu Xiaofeng (劉曉峰)	45	Independent Non-executive Director
Chen Guoming (陳國明)	45	Independent Non-executive Director
Liu Yinchun (劉銀春)	61	Independent Non-executive Director
Wang Li (王礪)	37	Independent Non-executive Director
Tai Kwok Leung Alexander (戴國良)	50	Independent Non-executive Director
Wang Chunlin (王春林)	44	Independent Non-executive Director

The Board consists of thirteen Directors, including three Executive Directors, three Non-executive Directors, and seven Independent Non-executive Directors. The Directors are elected at a meeting of the Company's shareholders for a term of three years, renewable upon re-election. An Independent Non-executive Director cannot concurrently hold the position of a supervisor, manager, or financial controller of the Company. The functions and duties of the Board include convening shareholders' meetings, reporting its work at the shareholders' meetings, implementing the resolutions of the shareholders, determining the Company's business plans and investment plans, formulating the Company's annual budget and final accounts, formulating proposals for the Company's dividend and bonus distributions and for the increase or reduction of capital, and exercising other powers, functions and duties as authorized by the Articles of Association.

Executive Directors

Mr. Zhang Mi (張弭), aged 51, has been Chairman of the Company and an Executive Director since June, 2007. He is also President of the Company.

Positions held by Mr. Zhang in the Company's subsidiaries are set forth in the table below.

<u>Subsidiary company</u>	<u>Position</u>	<u>Time</u>
Asia Harbour	director	Since August 18, 2006
Honghua Company	chairman, executive director, and general manager	Since December 31, 1997
HH Egyptian Company	director	Since April 26, 2007
Honghua America	chairman and executive director	Since October 11, 2004
Honghua International	chairman and executive director	Since January 13, 2004

Mr. Zhang graduated from the Sichuan Petroleum Administration Vocational University in 1982, with a diploma in machinery manufacture, design and equipment. He graduated from the Party Institute of Sichuan Provincial Committee Correspondence College in 1998, with a degree in Economics and Management. In 2004 he then obtained a senior engineer qualification granted by the Committee for Evaluation of Senior Technical Positions of the China National Petroleum Corp.. He has been receiving special subsidies granted by the State Council of the PRC government (政府特殊津貼) since February 2007, for his significant contribution to the development of machinery engineering in the PRC.

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Mr. Zhang is particularly involved in enhancing the company's technological innovation. Mr. Zhang is responsible for the development of the ZJ70LC drilling rig, which was one of the major ultra-deep drilling rigs used in China. He is also responsible for the development of the digitally-controlled VFD rig (DBS), the first of its kind in China. The DBS has been included in the State Critical Technological Equipment Innovation Research Project (國家重大技術裝備創新研製項目), the State Key New Products (國家重點新產品) and the National Torch Plan Project (國家級火炬計畫項目). In 2005, Mr. Zhang was awarded the Sichuan Province Prize for Outstanding Talent in Innovation (四川省第三屆傑出創新人才獎), by the Sichuan Provincial Party Committee and the Sichuan Provincial People's Government. In 2007, he was granted the May 1 Labor Medal of Sichuan Province (四川省五一勞動獎章) by the Sichuan Provincial Federation of Trade Unions in 2007.

Mr. Ren Jie (任杰), aged 41, has been an Executive Director of the Company since January 18, 2008. He is also a Vice-president of the Company. In 1990, Mr. Ren earned a Bachelor's degree in mining machinery from Southwest Petroleum University, located in Sichuan Province, specializing in petroleum and natural gas. In 1995, Mr. Ren obtained an engineering qualification, granted by the China National Petroleum Corp., Sichuan Petroleum Administration. In November 2007, he also became a member of the 5th Edition Committee of the Oil Field Equipment Journal. Mr. Ren is employed as an engineer by Honghua Company.

In the early stages of Honghua Company, Mr. Ren successfully designed a rotary table transmission unit, a drawworks bevel gear box, and universal shaft equipment for the ZJ70LC drilling rigs, which contributed greatly to the development of the Company. Mr. Ren, together with his research and development team, also successfully developed a set of digitally-controlled VFD rigs, after the development of the first digitally-controlled VFD rig (DBS).

Positions held by Mr. Ren in the Company's subsidiaries are set forth in the table below.

<u>Subsidiary company</u>	<u>Position</u>	<u>Time</u>
Asia Harbour	director	Since August 18, 2006
Honghua Company	director and Deputy General Manager	Since December 31, 1997 Since March 1, 2003
Youxin Company	director	Since December 8, 2006
Honghua International	director	Since January 13, 2004

Mr. Zhang Xu (張旭先生), aged 47, has been an Executive Director of the Company since January 18, 2008. He has been a director of Honghua Company since December 31, 1997 and a director of Asia Harbour since August, 2006. Mr. Zhang graduated from Southwest University of Finance and Economics in 1998. Mr. Zhang obtained a senior accountancy qualification in 2007, granted by the Personnel Bureau of Sichuan Province, and had over 10 years of accounting experience prior to joining Honghua Company. From January, 1986, to June, 1991, Mr. Zhang was an accounting staff member in the Chuannan Mining District Transport Team, Sichuan Petroleum Administration. From June, 1991, to January, 1995, Mr. Zhang was an accounting staff member and subsequently an accountant in Tarim Sichuan Drilling Company. From January, 1995, to January, 1996, Mr. Zhang was an accountant for Guanghan Drilling and Production Equipment Plant, Sichuan Petroleum Administration.

Positions held by Mr. Zhang in the Company's subsidiaries are set forth in the table below.

<u>Subsidiary company</u>	<u>Position</u>	<u>Time</u>
Asia Harbour	director	Since August 18, 2006
Honghua Company	director	Since December 31, 1997

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Non-executive Directors

Mr. Wang Yaixin (王堯鑫先生), aged 47, has been a Non-executive Director of the Company since January 18, 2008. He has been a Director of Asia Harbour since August, 2006 and a director of Sichuan Honghua Petroleum Equipment Co., Ltd., since December 31, 1997. Since April, 2005, he served as the plant manager of the Sichuan Petroleum Administration Chengdu General Machinery Plant (based in Guanghan) Thermal Processing Sub-plant. From 2004 to 2005, he was the plant manager of the Sichuan Petroleum Administration Drilling Equipment Factory Valve Sub-plant. From 1996 to 2004, he was the plant manager of the Maintenance Sub-plant of the Sichuan Petroleum Administration Drilling Equipment Factory. In 1981, Mr. Wang completed a course in machinery manufacturing at the Chengde Petroleum School. In 1990, Mr. Wang completed a course in quality management at the Chengdu Science and Technology University, Management Science and Engineering Department. In 2000, Mr. Wang completed a course in economic management at the Party Institute of Sichuan Provincial Committee Correspondence College. He obtained an engineering qualification from China National Petroleum Corp in 1995.

Mr. Xiang Qingsheng (相慶生先生), aged 61, has been a Non-executive Director of the Company since January 18, 2008. He has been a director of Asia Harbour since March, 2007. Since 2004, he has been a director and general manager of COOS, a director of China Nanshan Development (Group) Incorporation, a vice-chairman of Nanhai West Oil Oilfield Service (Shen Zhen) Co., Ltd., and a director of CNOOC Insurance Limited. Mr. Xiang completed an English course at Guangdong Huanan Normal University in 1988. He obtained a senior economist qualification from CNOOC in 1997.

Mr. He Sean Xing (何欣先生), aged 43, has been a Non-executive Director of the Company since January 18, 2008. He has been a director of Honghua Company, since March, 2007. He has been a director of Asia Harbour since December 6, 2006. He has been a director of Anshine International Group (incorporated in the Cayman Islands) since September 10, 2006. He has been a director of Informax Optical Technology Corporation since May, 2002. He has been a director of eBIS Co., Ltd., since May 28, 2003. He is also a managing director of Carlyle Funds. Mr. He graduated from Zhejiang University in 1985, with a Bachelor's degree in structural engineering, and in 1991 he received a Master's degree in engineering from Carleton University (Canada). In 1994, he earned an MBA from the Schulich School of Business, York University (Canada). In 1997, Mr. He qualified as an American Chartered Financial Analyst (CFA).

Independent Non-executive Directors

Mr. Qi Daqing (齊大慶先生), aged 43, has been an Independent Non-executive Director of the Company since January 18, 2008. Mr. Qi is a Professor of accounting and Associate Dean at Cheung Kong Graduate School of Business (CKGSB). He taught at the School of Accounting, Chinese University of Hong Kong, from 1996 to 2002. His research interests primarily focus on financial reporting and strategy execution. He has published many articles in accounting and finance journals, and he has extensive executive training and consulting experience in accounting and corporate finance.

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His clients include:

<u>Type of client</u>	<u>Name of client</u>	<u>Duration of service</u>
Government:	Shanghai Municipal Government	2000-2001
	Ministry of Information Industries of PRC	1998-2000
Private Sector:	Huawei Technologies Co., Ltd.	2006
	Lenovo Group Limited	2004-2005
	Digital China Holdings Limited	2004
	Siemens Ltd., China	2002
	China Telecommunications Corporation	2001
	Nokia (China) Investment Co., Ltd.	1999-2001

He received his Ph.D. in accounting from Michigan State University in 1996, his MBA from the University of Hawaii at Manoa in 1992, and his Bachelor's degrees in Biophysics and International Journalism from Fudan University in 1985 and 1987, respectively. Mr. Qi is not a certified public accountant; he became a member of the American Accounting Association in 1996. With over ten years of experience as a professor of accounting, a Ph.D in accounting, an MBA and extensive executive training and consulting experience in accounting and corporate finance, Mr. Qi's experience means that he has the requisite expertise as required by the Listing Rules. Therefore, whilst Mr. Qi does not hold formal accounting professional qualifications, he meets the criteria for accounting and related financial management expertise as required by Rule 3.10(2) of the Listing Rules.

Mr. Qi is chairman of the Audit Committee of two listed companies. He is currently Chairman of the Audit Committee of Hongyuan Securities Company Limited (a PRC listed company) and is directly involved in the improvement and compliance of its audit process. He is also Chairman of the Audit Committee of Sohu (a NASDAQ listed company) and is directly involved in the formulation of accounting policies and audit processes.

Mr. Liu Xiaofeng (劉曉峰先生), aged 45, has been an Independent Non-executive Director of the Company since January 18, 2008. He is currently a Managing Director of DBS Asia Capital (wholly owned-subsiary of DBS Bank), and an independent non-executive Director of CNPC (Hong Kong) Limited and Haier Electronics Group Co., Ltd., both of which are publicly-listed companies on the Stock Exchange. He has over 14 years of experience in corporate finance and has worked with various international financial institutions since 1993, including NM Rothschild & Sons, JP Morgan, and DBS. Mr. Liu obtained a Master's degree and a Ph.D. from University of Cambridge in 1988 and 1993 respectively, a Master of Science degree in Development Studies from the University of Bath, England, in 1987, and a Bachelor of Economics degree from Sichuan Institution of Finance and Economics now known as Southwest University of Finance and Economics, in 1983.

Mr. Chen Guoming (陳國明先生), aged 45, has been an Independent Non-executive Director of the Company since January 18, 2008. In 1982, Mr. Chen graduated from the Mechanical Department of the East China Petroleum Institute with a Bachelor's Degree, and then worked as an assistant engineer in the Lanzhou General Machinery Plant from 1982 to 1983. He earned his Master's degree in 1986, from the Beijing Graduate School of East China Petroleum Institute. He then worked as a teacher in this Institute and was promoted to Associate Professor and then Professor in 1992 and 1995, respectively. He was a visiting scholar at the University of California, Berkeley, from 1996 to 1997. He obtained his Ph.D. degree in 1999, and was promoted to Ph.D. candidate supervisor in 2000. He is currently a Professor and a Ph.D. candidate supervisor in the Department of Mechanical and Electrical Engineering, China University of Petroleum. Currently, Mr. Chen is the Chief of Shandong Key Laboratory of Petroleum Mechanical Engineering and the Research Office of the Offshore Petroleum Engineering; a member of the Quality & Reliability Committee of China Petroleum Society,

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the Offshore Engineering Committee of China Naval Architects and Marine Engineers' Society and China Mechanical Engineering Society; and a member of the Editorial Committee of the Journal of Petroleum Science, the Journal of Oil Mining Field Machinery and the Journal of China University of Petroleum (Natural Science Edition). Mr. Chen was awarded the National Labor Day Medal in 2007. He has also been receiving special subsidies granted by the State Council of the PRC government (政府特殊津貼) since August 2005, for his significant contribution to the development of higher education in China.

Mr. Liu Yinchun (劉銀春), aged 61, has been an Independent Non-executive Director of the Company since January 18, 2008. Mr Liu served as director of East China Oil Bureau from 2002 to 2007. Mr. Liu graduated from Beijing Geosciences College (now known as China University of Geosciences) in 1969 with a Bachelor's Degree in Exploration Engineering. He has extensive experience in oil drilling and business management. In 1997, he served as the deputy director and Chief Engineer of East China Oil and Geology Bureau from 1996 to 2002. He was awarded Senior Engineer at professor level and has been receiving special subsidies granted by the State Council of the PRC government (政府特殊津貼) since February 1998, for his significant contribution to the development of engineering technology in China.

Mr. Wang Li (王礫), aged 37, has been an Independent Non-executive Director of the Company since January 18, 2008. Mr Wang graduated from China University of Political Science and Law in 1992 with a Bachelor's Degree in Civil Law and in 2001 received a Master's Degree in International Law from Napier University Edinburgh. Mr. Wang also studied law in international trade and international electronic business at Asia Economy Management College of the University of California in 1996. Mr. Wang specialises in legal services in finance, stock exchange, real estate and international trade. His clients include, among others, Bank of China (Chengdu branch), Citigroup Global Markets Asia Ltd and Construction Bank of China (International Division of Sichuan Branch). Mr Wang is a director of the Sichuan Lawyers Association.

Mr. Tai Kwok Leung Alexander (戴國良), aged 50, has been an Independent Non-executive Director of the Company since January 18, 2008. Mr. Tai graduated from Victoria University of Wellington in New Zealand with a degree in Bachelor of Commerce and Administration in 1982 and became an associate member of the Hong Kong Institute of Certified Public Accountants in 1983. Mr. Tai has extensive accountancy, corporate finance and investment experience in Hong Kong and overseas. Mr. Tai is a shareholder and an executive director of Access Capital Limited, a licensed corporation under the SFO to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities.

Mr. Wang Chunlin (王春林), aged 44 has been an Independent Non-executive Director of the Company since January 18, 2008. Mr Wang graduated from the University of International Business & Economics in Beijing in 1986. In 1999, he obtained a MBA from Murdoch University in Australia and in 2003 he was awarded the Master of Science in International Shipping & Transport Logistics by Hong Kong Polytechnic University. Mr. Wang became a consultant of Pacific Basin Shipping Limited on 1 December 2005 responsible for group business development and was confirmed as its permanent employee on 1 March 2006. On 21 August 2006, Mr. Wang was appointed executive director of Pacific Basin Shipping Limited with effect from 1 September 2006. He is also a director of Asia Pacific Maritime & Infrastructure Group Limited in Hong Kong, Bermuda, BVI, Asia Pacific Fortune Limited and Asia Pacific Fortune (HK) Limited. Mr Wang joined the Sinotrans Group in 1986 and until 2002 assumed several senior positions in various subsidiaries and joint ventures of Sinotrans Group and was responsible for overseeing a wide range of activities. In 2002 he was promoted to Assistant President of Sinotrans Group and Managing Director of Sinotrans Shipping Limited. In April 2005 Mr. Wang joined the IMC Group where he was responsible for developing its business in Hong Kong and China.

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Senior Management

Mr. Liu Zhi (劉智先生), aged 43, is a Vice-president of the Company. Mr. Liu has been a director of HH Egyptian Company since April 26, 2007. He has been a Deputy General Manager of Honghua Company since January 1, 2001, and he is in charge of domestic and overseas sales, and financial and accounting management. He was a director of Honghua Company from August 17, 2006 to March 8, 2007. He has respectively been a director of Hongtian Company since December 8, 2006, a director of Honghua International since January 13, 2004, and has been the general manager of Honghua International since January 6, 2004. Mr. Liu has contributed to the expansion of Honghua Group's markets inside and outside of China. Mr. Liu graduated from Southwest Petroleum University in 2003, with a Master's degree in oil and gas storage and transportation.

Mr. Luo Qiping (羅啓平先生), aged 44, is a Vice-president of the Company. He has respectively been a deputy general manager of Honghua Company since June, 2007, and a director of Honghua International since January 13, 2004. In 1993, he completed a course in machinery manufacture and design at the No. 2 Heavy Machinery Plant Vocational University, and obtained an engineering qualification from the Personnel Bureau of Sichuan Province, in September, 1997. He joined Honghua Company as an engineer in 1999. Prior to joining Honghua Company, he worked as a technician and then an engineer in Dongfang Petro Chemical General Equipment Factory (東方石化通用設備總廠) from 1982 to 1999. Mr. Luo has extensive experience in production management. He passed an examination in ISO9000:2000 Quality Management System Requirements and Internal Auditing Skills in April 2001 and awarded by Det Norske Veritas ("DNV") certificate of training.

Mr. Liu Gangqiang (劉剛強先生) is the secretary of the Board of Directors and a joint Company secretary of the Company. Please refer to the section entitled "Joint Company Secretaries" below for Mr. Liu's biography.

Ms. Lu Hong (魯紅女士) is the financial controller of the Company. Please refer to the section entitled "Qualified Accountant" for Ms. Lu's biography.

Ms. Leung Wai Han Corinna (梁慧嫻女士) is a joint Company secretary. Please refer to the section entitled "Joint Company Secretaries" below for Ms. Leung's biography.

Joint Company Secretaries

Mr. Liu Gangqiang (劉剛強先生), aged 38, has been the secretary of the Board of Directors and a joint Company secretary of the Company since January 21, 2008. He has been the secretary of the Board of Directors and the company secretary of Honghua Company since March, 2004. He is mainly responsible for company Reorganization and Listing preparation, capital and corporate finance management, financial data management, establishment of internal control systems, compliance and legal affairs, intellectual property protection, investor and shareholder relations, government and regulatory authority coordination, and day-to-day administration of the Board of Directors (e.g., organizing Board meetings and shareholders meetings, preparing documents for Board meetings and shareholders meetings, and filing papers, contracts and other legal documents concerning the Board of Directors).

From February, 2003, to September, 2003, he conducted research on the development of state-owned enterprises, in the Work Technology Center of the Sichuan State-Owned Enterprise Supervisory Committee. From October, 2000, to September, 2003, he was an assistant general manager of Sichuan Aerospace High-tech Co., Ltd., and general manager of Aerospace Network Communications System Engineering Co., Ltd. From September, 1997, to October, 2000, he served as an economist in Sichuan Trust & Investment Co., Ltd., and was engaged in securities analysis, investment financing, capital planning, asset management and legal affairs. From September, 1991, to May, 1994, he was a technician at Beijing Yanshan Petroleum & Chemicals Co., Ltd. Mr. Liu graduated from Chengdu Science and Technology University (now Sichuan University), with a Bachelor's degree in high polymer material and engineering, in 1991. He earned a Master's degree in Economics

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from Southwest University of Finance and Economics in 1997. In 2003, he received a Ph.D. in Economics from Southwest University of Finance and Economics.

Ms. Corinna Leung (梁慧嫻女士), aged 39, has been a joint Company secretary of the Company since January 21, 2008. She is a senior manager of the Corporate Services Department of Tricor Services Limited. She is an associate with the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries. She provides corporate services to companies that are listed on the Main Board, Growth Enterprise Market of the Stock Exchange and private companies.

Qualified Accountant

Ms. Lu Hong (魯紅女士), aged 38, was appointed financial controller of Honghua Company in May, 2007, and has been the financial controller and the qualified accountant of the Company since June, 2007. Mr. Liu Zhi was responsible for financial and accounting management before Ms. Lu joined the Group in May, 2007. After Ms. Lu joined the Company, Mr. Liu Zhi became responsible for the Company's financial and accounting work concerning manufacturing and operations, and Ms. Lu was responsible for the financial and accounting work concerning the Listing. Upon the Company's Listing, Ms. Lu will be responsible for all the financial and accounting work of the Company and its subsidiaries. Ms. Lu was the company secretary, qualified accountant and assistant financial controller of Guangdong Nanyue Logistics Co., Ltd., a company listed on the Stock Exchange, from February, 2005, to December, 2006. She is a Certified Public Accountant in China, a Certified Public Accountant in Hong Kong, and has obtained a fellowship from the Association of Chartered Certified Accountants (FCCA). Ms. Lu graduated from China University of Geosciences, Beijing, with a Master's degree in 1994.

Audit Committee

We have established an audit committee in compliance with the requirements of the Listing Rules. The primary responsibilities of our audit committee are review and supervision of our financial reporting processes and our internal control systems. Our audit committee currently consists of Mr. Qi Daqing, Mr. Liu Xiaofeng, Mr. Chen Guoming, Mr. Liu Yinchun, Mr. Wang Li, Mr. Tai Kwok Leung Alexander and Mr. Wang Chunlin. The audit committee is chaired by Mr. Qi Daqing, who is an Independent Non-executive Director of our Company, and who has the appropriate professional qualifications and financial management expertise as required by the Listing Rules.

Remuneration Committee

The Company has established a remuneration committee. The primary duty of the remuneration committee of the Company is to make recommendations to the Board concerning the Company's policies and structure for remuneration of Directors and senior management. The remuneration committee consists of Mr. Zhang Mi, Mr. Qi Daqing and Mr. He Sean Xing. Mr. Qi Daqing who are Independent Non-executive Director and Mr. He Sean Xing who is a Non-Executive Director. The chairman of the remuneration committee of the Company is Mr. He Sean Xing.

Corporate Governance Committee

We have established a corporate governance committee. The primary responsibilities of our corporate governance committee are monitoring corporate governance matters. The corporate governance committee will be responsible for approving matters namely monitoring the overall implementation of internal control rules and advising on and providing guidance as to matters relating to corporate governance issues.

Our corporate governance committee currently consists of Mr. Qi Daqing, Mr. Liu Xiaofeng, Mr. Chen Guoming, Mr. Liu Yinchun, Mr. Wang Li, Mr. Tai Kwok Leung Alexander and Mr. Wang Chunlin, who all are Independent Non-executive Directors. The corporate governance committee is chaired by Mr. Liu Xiaofeng.

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Internal Controls

Under our Articles of Association, our Board has the authority to determine our internal management organization and corporate governance. We have clearly defined the responsibility and authority of our Board of Directors and our senior management through our Articles of Association and internal policies. We have adopted certain internal control policies to manage and minimize financial and other risks, to ensure timely and accurate preparation and reporting of financial information, and to monitor compliance with laws by the senior management of the Group in the performance of their duties. For example, we have established an investment policy and a guarantee policy that are to be followed by all of our subsidiaries and that require Board resolution for investments or guarantees exceeding certain amounts. We have also established an internal control office as part of our management and an audit committee under our Board, both of which have the functions of monitoring compliance with laws by our senior management and in our daily operations, and of carrying out investigations for suspected breaches of law. However, certain control procedures, which are new and were introduced after Reorganization may need further adjustment and development to operate effectively. Our Directors are in the process of establishing additional policies and procedures. We plan to establish a strategic investment committee under our Board, to evaluate, approve and monitor large investment projects.

Corporate Governance Measures

The Company is aware that, upon successful listing on the Stock Exchange, it will be required to comply with stringent requirements concerning internal controls and corporate governance. In this regard, the Company has resolved to undertake the following steps to improve its protection of minority shareholders, to ensure that the management of the Company will adhere to the Listing Rules, as well as other applicable laws and regulations for a company listed on the Stock Exchange, and to enhance internal controls:

- a) The Company adopted new Articles of Association by shareholders' resolutions dated January 21, 2008, in compliance with requirements of the Cayman Companies Law and the Listing Rules. The Articles of Association prohibit any Director from attending and being present in the Board meeting while any resolution of the Board or agenda in respect of any contract or arrangement in which the Director or any of his Associate(s) has/have a material interest is being discussed or voted. The Director is also prohibited from voting (nor shall he be counted in the quorum) on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his Associate(s) has/have a material interest, and if he shall do so his vote shall not be counted (nor shall he be counted in the quorum for that resolution). The Company has established a balanced system to protect the interests of the minority shareholders.
- b) The Controlling Shareholders of the Company undertake with the Company to defer or pass to the Independent Non-executive Directors of the Company all matters to which we have or may have a conflict of interest for consideration and decision. Such matters include, but not limited to (i) the exercise of option(s) which relate(s) to any connected persons (as defined in the Listing Rules) of us; (ii) the pre-emption right or the first right of refusal granted pursuant to the Non-competition Deed (避免同業競爭契約) dated February 15, 2008 given in favour of the Company (the "Deed"); and (iii) any connected transactions with us and the connected persons of us; and to provide all information necessary for the Company and the Independent Non-executive Directors to enforce the non-competition undertaking given under the Deed or to assess whether or not there is a breach of such non-competition undertaking.
- c) The executive Directors undertake with the Company to increase the transparency in disclosure of decisions on matters considered or reviewed by the Independent Non-executive Directors in the annual report or by way of announcement, as appropriate, after the Listing, in compliance with the corporate governance measures and internal control systems as adopted by the Company.

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- d) The Company has retained RSM Nelson Wheeler Consulting Limited (“RSM”) to advise on internal controls and corporate governance matters. RSM conducted an initial internal control evaluation of Honghua Company in May 2007 and produced a report which contains detailed recommendations of best practices. The Company is anxious to enhance its internal controls by fully implementing the new internal control procedures recommended by RSM. To this end, it has also retained Shanghai Huacai Management Consultancy Co; Ltd., a business consulting firm specialising in internal compliance and control issues, to assist in such implementation. In October 2007, RSM conducted a follow-up evaluation of the Group and found that the Group had already implemented the majority of RSM’s recommendations. The Group also implemented all remaining RSM recommendations in December 2007.
- e) Arculli Fong & Ng provided comprehensive training to the Directors of the Company concerning the requirements of the Listing Rules (e.g., understanding the requirements of, their obligations with regard to, and the sanctions that may be imposed under, the rules pertaining to connected transactions, directors’ duties, shareholders’ approvals, and disclosure requirements). The training provided by Arculli Fong & Ng included the following topics: (1) overview of applicable laws, rules and regulations relating to directors’ obligations and responsibilities to a listed company; (2) disclosure of interests; (3) corporate governance; (4) notifiable transactions; (5) connected transactions; (6) the Codes on Takeovers and Mergers and Share Repurchases; (7) dealing in shares of the Company; (8) Guidelines on Disclosure of Price-Sensitive Information; (9) insider dealing and other market misconduct; (10) directors’ responsibility on the Prospectus; (11) continuing obligations of directors of a listed company; (12) fiduciary duties under common law; (13) non-statutory guidelines of directors’ duties; (14) term of reference of audit committee; (15) term of reference of remuneration committee; and (16) term of reference of nomination committee.

The Company has confirmed that a detailed draft compliance manual has been completed and the training of the senior management of the Company was completed in January 2008.

- f) By the sole director’s written resolutions dated January 18, 2008, the Company appointed seven Independent Non-executive Directors who will make autonomous determinations on matters which may affect the minority shareholders’ interests. Any conflicts in the interests of minority and majority shareholders will be reported in both Board and Shareholder meetings, thus preventing the Controlling Shareholders from adversely affecting the legal rights of other Shareholders in voting. The Company has established a new Board committee, consisting solely of Independent Non-executive Directors. The corporate governance committee will be responsible for the overall implementation of internal control rules, and advising and providing guidance on matters relating to corporate governance.
- g) The Company has appointed CCB International Capital Limited as its Compliance Adviser, in order to ensure its future compliance with the Listing Rules, and plans to retain the advisor for a period commencing on the Listing Date 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 second full financial year commencing after the Listing Date, which is one year longer than the period required by the Listing Rules. The Company expects the compliance adviser to play an active role in assisting the Company in complying with the Listing Rules, raising the Company’s standards in terms of Listing Rules compliance and corporate governance as a whole and has specified this in the agreement between the Company and the Compliance Adviser.

Before Listing, the majority of the Directors of Honghua Company had certain personal interests in the Company either by holding shares, employment or involvement in the day-to-day running of the Company. None of those Directors have any legal or financial background.

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The Company has appointed seven Independent Non-executive Directors thereby increasing the total number of Directors to thirteen. Among the thirteen Directors, three are Executive Directors (from pre-listing management), three are Non-executive Directors (one from pre-listing management and two representing the Financial Investors), and the remaining seven are Independent Non-executive Directors who are independent of the Company.

There are seven Independent Non-executive Directors which means that the Independent Non-executive Directors now form a majority of the Board. In the event that a matter or decision to which the executive Directors or non-executive Directors have a conflict of interest, the Board therefore will not be able to make any decision without coming under the scrutiny of the Independent Non-executive Directors. The new balance between Executive Directors, Non-executive Directors and Independent Non-executive Directors will enhance the integrity and independence of the Board. The current Articles of Association contain a provision requiring the Board, at all times, be comprised of a majority of Independent Non-executive Directors. Unless otherwise determined, two Directors shall form a quorum for a board meeting.

Among the Non-executive Directors, Independent Non-executive Directors and senior management themselves, six (He Sean Xing, Qi Daqing, Wang Chunlin, Liu Xiaofeng, Wang Li and Tai Kwok Leung Alexander) have either held directorships at other companies listed on the Stock Exchange or have an accounting, financial or legal background. It follows that these Directors are already familiar with their fiduciary duties and responsibilities to the Company and their obligation to protect minority shareholders. The knowledge and experience which these Directors have acquired from their directorships of other listed companies or from serving their own clients who are listed companies, will help to raise the Board's overall standard of discharging its duties and responsibilities as required of a company listed on the Stock Exchange.

New policies and new procedures of internal controls have been established to guarantee the best interests of the Company and of the Company's minority shareholders. To approve and monitor large investment projects, the Company will establish a strategic investment committee. The efficiency and transparency of the Board and its corporate governance regime are to be maintained through the regular adjustment of their internal policies and where circumstances dictate.

Moreover, under the Directors' service contracts, a Director may not use or disclose any trade secrets or other confidential information of the Company in a personal capacity to the detriment of the Company. The Directors' service contracts further prohibit the Directors from making use of their positions and powers in the Company for personal gain (including but not limited to depriving the Company of business opportunities).

Zhang Mi and Ren Jie, both Executive Directors of the Company, have previously made certain investments in Honghua-Ural. Mr. Zhang and Mr. Ren disposed of these investments on November 15, 2007 and are no longer shareholders of Honghua-Ural. Given that (a) the investment in question had been made well before Mr. Zhang and Mr. Ren entered into their Directors' service contracts and (b) Mr. Zhang and Mr. Ren disposed of their investments at cost without making any personal gains to the detriment of the Company, Mr. Zhang and Mr. Ren have not been in breach of any provision of their service contracts set out in the paragraph above.

Mr Zhang and Mr Ren have never made any investment in Izhdruil-Honghua.

Remuneration of Directors and Senior Management

The aggregate amounts of remuneration (including fees, basic salaries, allowances and other benefits and contributions to pension schemes, housing allowances, other allowances and benefits in kind, and discretionary bonuses) which were paid to the Directors and senior management during the three years ended December 31, 2004, 2005, 2006 and for the eight months ended August 31, 2007, were approximately RMB 1,148,000, RMB 2,260,000, RMB 4,204,000 and RMB1,563,000 respectively.

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For each of the three years ended December 31, 2004, 2005, 2006 and for the eight months ended August 31, 2007, the aggregate amounts of remuneration (including fees, basic salaries, allowances and other benefits and contributions to pension schemes, housing allowances, other allowances and benefits in kind, and discretionary bonuses) paid to Directors were approximately RMB659,000, RMB1,326,000, RMB2,359,000 and RMB885,000, respectively.

Except as disclosed above, no other amounts have been paid or are payable by us to the Directors and senior management for the three years ended December 31, 2004, 2005, 2006 and for the eight months ended August 31, 2007.

The Company will determine the remuneration of the Directors on the basis of their experience, performance, duties and market conditions. The remuneration (including fees, basic salaries, allowances and other benefits and contributions to pension schemes, housing allowances, other allowances and benefits in kind, and discretionary bonuses) of Executive Directors, Zhang Mi, Ren Jie and Zhang Xu, for the year ended December 31, 2007, is estimated to be approximately HK\$1,909,858, HK\$766,650 and HK\$362,740, respectively. The remuneration of a Non-executive Directors Mr. Wang Yaixin, for the year ended 2007 was HK\$16,000. The remuneration for other Non-executive Directors and Independent Non-executive Directors for the year ended December 31, 2007 is estimated to be HK\$16,000.

Further information about the service contracts entered into between the Company and the Directors is set out in the “Further Information about our Directors, Management, Staff and Experts — Particulars of service contracts” in Appendix VII of this Prospectus.

Our Relationship with Employees

We regard the expertise of the Directors and the technical skill of our employees as crucial to sustaining our business success. Our ability to attract, retain and motivate skilled employees will play a decisive role in our future success.

We aim to attract, retain and motivate employees by attractive remuneration packages. We provide attractive salaries and bonuses for our employees, as well as other benefits, including but not limited to retirement schemes, medical insurance, accident insurance, and unemployment insurance. Our salary levels are regularly reviewed against market standards. Training is provided to employees at all levels.

The Group conditionally approved and adopted the Share Option Scheme on January 21, 2008. The purpose of the scheme is to attract and retain the best available personnel, to provide additional incentives to employees (full-time and part-time) and Directors, and to promote the success of the Group. A summary of the principal terms of the Share Option Scheme is set out in the section headed “Share Option Scheme” in Appendix VII of this Prospectus.

Compliance Adviser

Our Company appointed CCB International Capital Limited as our Compliance Adviser, pursuant to Rule 3A.19 of the Listing Rules. On January 6, 2008, the Company and the Compliance Adviser entered into an agreement pursuant to which the Compliance Adviser will provide to the Company services upon Listing that, inter alia, include:-

- (a) advising the Company on the following matters, or in the following situations, among others:
 - (1) before the publication of any regulatory announcement, circular or financial report;
 - (2) where the Company contemplates a transaction, which might be a notifiable or connected transaction including share issues and share repurchases;

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- (3) where the Company proposes to use the proceeds of the Global Offering in a manner different from that detailed in the Prospectus, or where the business activities, developments or results of the Company deviate from any forecast, estimate, or other information in the Prospectus; and
 - (4) where the Stock Exchange makes any inquiry to the Company regarding unusual movements in the price or trading volume of the Company.
- (b) attending the Board meetings and the corporate governance committee meetings of the Company, with agenda of matters in relation to the Company's compliance with the Listing Rules, at such reasonable time and place as advised by the Company with reasonable prior notice.
 - (c) together with other professional advisers retained by the Company, providing the Company with any updates on any new Listing Rules and other laws, codes, orders, regulations and guidelines applicable to the Company;
 - (d) providing the Company with advice and guidance regarding compliance with the Listing Rules;
 - (e) discharging such duties and functions as may be required to be performed as a compliance adviser under the Listing Rules from time to time.

The term of engagement of the compliance adviser will commence on the Listing Date and end on the date of dispatch of the second annual report of the Company, containing its financial results for the second full financial year commencing after the Listing Date.