

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this Prospectus received from Sallmanns (Far East) Limited, an independent valuer, in connection with its valuation as at 31 December 2007 of the property interests of the Group.



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25 February 2008

The Board of Directors
Honghua Group Limited

Dear Sirs,

In accordance with your instructions to value the properties in which Honghua Group Limited (the “Company”) and its subsidiaries (hereinafter together referred to as the “Group”) have interests in the People’s Republic of China (the “PRC”) and the United States, we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital values of the property interests as at 31 December 2007 (the “date of valuation”).

Our valuations of the property interests represent the 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”.

We have valued the property interests of part of the properties in Groups I and II by the direct comparison approach assuming sale of the property interests in their existing state with the benefit of immediate vacant possession and by making reference to comparable sale transactions as available in the relevant market.

Where, due to the nature of the buildings and structures of the properties, there are no market sales comparables readily available, the remaining part of the property interests in Groups I and II have been valued on the basis of their depreciated replacement cost.

Depreciated replacement cost is defined as “the current cost of replacement (reproduction) of a property less deductions for physical deterioration and all relevant forms of obsolescence and optimization.” It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement (reproduction) of the improvements, less deductions for physical deterioration and all relevant forms of obsolescence and optimization. The depreciated replacement costs of the property interests are subject to adequate potential profitability of the concerned business.

In valuing portion of the property interests in Group I which are currently under construction, we have assumed that it will be developed and completed in accordance with the latest development proposal provided to us by the Group. In arriving at our opinion of value, we have taken into account the construction cost and professional fees relevant to the stage of construction as at the date of valuation and the remainder of the cost and fees to be expended to complete the development.

We have attributed no commercial value to the property interests in Group III, which are leased by the Group, due either to the short-term nature of the leases or the prohibition against assignment or sub-letting or otherwise due to the lack of substantial profit rents.

Our valuations have been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charges, mortgages or amounts owing on any of the property interests valued nor 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 valuing the property interests, we have complied with all the requirements contained in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation Standards (6th Edition) published by the Royal Institution of Chartered Surveyors; and the HKIS Valuation Standards on Properties (1st Edition 2005) published by the Hong Kong Institute of Surveyors.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been shown copies of various title documents including State-owned Land Use Rights Certificates, Building Ownership Certificates, Real Estate Title Certificates and official plans relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing titles to the property interests in the PRC and any material encumbrances that might be attached to the property interests or any lease amendments. We have relied considerably on the advice given by the Company's PRC legal advisers — King & Wood, concerning the validity of the Group's titles to the property interests in the PRC.

We have not carried out detailed site measurements to verify the correctness of the site areas in respect of the properties but have assumed that the site areas shown on the documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigations on site to determine the suitability of the ground conditions and services, etc, for any development thereon. Our valuation is prepared on the assumption that these aspects are satisfactory. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defects. No tests were carried out on any of the services.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB). The exchange rate adopted in our valuations is USD1 = RMB7.3046 which was approximately the prevailing exchange rate as at the date of valuation.

Our valuations are summarized below and the valuation certificates are attached.

Yours faithfully,

for and on behalf of

SALLMANNS (FAR EAST) LIMITED

Paul L. Brown

B.Sc. FRICS FHKIS

Director

Note: Paul L. Brown is a Chartered Surveyor who has 25 years' experience in the valuation of properties in the PRC and 28 years of property valuation experience in Hong Kong, the United Kingdom, the United States and the Asia-Pacific region.

SUMMARY OF VALUES

No.	Property	Capital value in existing state as at 31 December 2007 <i>RMB</i>	Interest attributable to the Group	Capital value attributable to the Group as at 31 December 2007 <i>RMB</i>
Group I — Property interests held and occupied by the Group in the PRC				
1.	9 parcels of land, various buildings and structures located at Zhong Shan Da Dao Nan Duan Guanghan Sichuan Province The PRC	110,562,000	100%	110,562,000
2.	46 units located at Honghuayuan Guang Dong Road Dong Yi Duan Guanghan Sichuan Province The PRC	4,869,000	100%	4,869,000
3.	12 units located at Guangyiuyuan Zhong Shan Da Dao Nan Er Duan Guanghan Sichuan Province The PRC	2,265,000	100%	2,265,000
4.	2 parcels of land, various buildings and structures located at Chuang Ye Bei Yi Road Jin Niu District Chengdu Sichuan Province The PRC	54,084,000	80%	43,267,000
5.	A unit located at No. 9 Tong De Jie Qing Yang District Chengdu Sichuan Province The PRC	334,000	80%	267,000
6.	2 parcels of land, various buildings and structures located at San Ya Road Yi Duan Guanghan Sichuan Province The PRC	21,971,000	80%	17,577,000
Sub-total:				178,807,000

No.	Property	Capital value in existing state as at 31 December 2007 <i>RMB</i>	Interest attributable to the Group	Capital value attributable to the Group as at 31 December 2007 <i>RMB</i>
Group II — Property interests owned and occupied by the Group in the United States				
7.	A parcel of land, various buildings and structures located at 8300 McHard Road, Houston TX 77053 The United States	25,566,000	80%	20,453,000
8.	3 houses located at Orchid Creek Drive, Pearland TX, 77584 The United States	6,939,000	80%	5,551,000
Sub-total:				26,004,000
Group III — Property interest rented and occupied by the Group in the PRC				
9.	Portion of Hongtai Commercial Building No. 1 Guangdong Road Dong Yi Duan Guanghan Sichuan Province The PRC	No commercial value	100%	No commercial value
Sub-total:				Nil
Grand-total:				204,811,000

VALUATION CERTIFICATE

GROUP I — PROPERTY INTERESTS HELD AND OCCUPIED BY THE GROUP IN THE PRC

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 December 2007 <i>RMB</i>
1. 9 parcels of land, various buildings and structures located at Zhong Shan Da Dao Nan Duan Guanghan Sichuan Province The PRC	<p>The property comprises 9 parcels of land with a total site area of approximately 278,940.43 sq.m. and 15 buildings and various ancillary structures erected thereon completed in various stages between 1990 and 2007.</p> <p>The buildings have a total gross floor area of approximately 63,908.94 sq.m.</p> <p>The buildings mainly include workshops, office buildings, canteens, etc.</p> <p>The structures mainly comprise boundary fences, roads, gates, etc.</p> <p>The property also comprises an industrial building which is under construction.</p> <p>The industrial building is scheduled to be completed in February 2008, and the total construction cost is estimated to be approximately RMB23,567,633.7, of which RMB16,850,351.7 has been spent up to the date of valuation. The total gross floor area of the industrial building will be approximately 23,660 sq.m. upon completion.</p> <p>The land use rights of 7 parcels of land were granted for terms of 50 years expiring between 31 December 2048 and 28 August 2057. The land use rights of the remaining 2 parcels of land are contracted to be granted to the Group for industrial use.</p>	The property is currently occupied by the Group for production purpose, except for a parcel of land with a site area of approximately 43,975 sq.m. which is currently vacant.	110,562,000 100% interest attributable to the Group: RMB110,562,000

Notes:

- Pursuant to 5 State-owned Land Use Rights Certificates — Guang Guo Yong (2003) Zi Di No.1114 dated 22 January 2003, Guang Guo Yong (2001) Zi Di No.245 dated 28 February 2001, Guang Guo Yong (2002) Zi Di No.3077 dated 18 June 2002, Guang Guo Yong (2001) Zi Di No.2601 dated 28 May 2001 and Guang Guo Yong (99) Zi Di No.0249 dated 9 March 1999, the land use rights of 5 parcels of land with a total site area of approximately 83,532.53 sq.m. were granted to Chuanyou Guanghan Honghua Co., Ltd. for terms of 50 years expiring between 31 December 2048 and 13 January 2053 for industrial use.

2. Chuanyou Guanghan Honghua Co., Ltd. is the predecessor of Sichuan Honghua Petroleum Equipment Co., Ltd. (“Honghua Company”), a wholly-owned subsidiary of the Company.
3. Pursuant to a State-owned Land Use Rights Certificate - Guang Guo Yong (2007) Di No.16694 dated 12 June 2007, the land use rights of a parcel of land with a site area of approximately 56,508.9 sq.m. were granted to Honghua Company for a term of 50 years expiring on 23 August 2056 for industrial use.
4. Pursuant to an agreement entered into between the Granted Land Office of Guanghan and Chuanyou Guanghan Honghua Co., Ltd., the land use rights of a parcel of land with a site area of approximately 12,232 sq.m. will be granted to Chuanyou Guanghan Honghua Co., Ltd. at a consideration of RMB5,500,000. As informed by the Company, the purchase price of the land has been fully paid and the relevant land grant procedures are in process. Therefore, we have not attributed any commercial value to this parcel of land.
5. Pursuant to an agreement entered into between the Granted Land Office of Guanghan and Chuanyou Guanghan Honghua Co., Ltd., the land use rights of a parcel of land with a site area of approximately 126,667 sq.m. will be granted to Chuanyou Guanghan Honghua Co., Ltd. at a consideration of RMB22,480,000. As informed by the Company, the purchase price of the land has been fully paid. And pursuant to a State-owned Land Use Rights Certificate—Guang Guo Yong (2007) Di No. 18579 dated 25 September 2007, the land use rights of portions of the parcel of land with a site area of approximately 82,692 sq.m. were granted to Honghua Company for a term of 50 years expiring on 28 August 2057 for industrial use. For the remaining portion of the land with a site area of approximately 43,975 sq.m., we have not been provided with any Land Use Rights Certificate. As informed by the Company, the relevant land grant procedures are in process. Therefore, we have not attributed any commercial value to this parcel of land.
6. Pursuant to 3 Building Ownership Certificates—Fang Quan Zheng Guang Quan Zi Di No. 39910 dated 20 May 2005, Fang Quan Zheng Guang Quan Zi Di No. 42534 dated 27 September 2006 and Fang Quan Zheng Guang Quan Zi Di No. 1091-1 dated 31 December 1999, 3 buildings with a total gross floor area of approximately 27,249.63 sq.m. are owned by Chuanyou Guanghan Honghua Co., Ltd.
7. Pursuant to 5 Building Ownership Certificates—Fang Quan Zheng Guang Quan Zi Di No. 44544 dated 25 April 2007, Fang Quan Zheng Guang Quan Zi Di No. 39907-1 dated 20 April 2007, Fang Quan Zheng Guang Quan Zi Di No. 44545 dated 25 April 2007, Fang Quan Zheng Guang Quan Zi Di Nos. 46549 and 46550, 12 buildings with a total gross floor area of approximately 36,659.31 sq.m. are owned by Honghua Company.
8. Pursuant to a Construction Work Planning Permit—Guan Gui Jian No. 2007-70, in favour of Honghua Company, an industrial building with a gross floor area of approximately 23,660 sq.m. has been approved for construction. In the valuation of this industrial building, we have attributed no commercial value to it which has not obtained Construction Work Commencement Permit. However, for reference purpose, we are of the opinion that the capital value of the industrial building as at the date of valuation would be RMB17,000,000 assuming all relevant construction permits have been obtained and can be freely transferred.
9. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, *inter alia*, the following:
 - a. For the land mentioned in note 1, note 3 and portions of the land mentioned in note 5 which have been obtained Land Use Rights Certificates with a total site area of approximately 222,733.43 sq.m., the Group legally has obtained the use rights of the land within the terms

- stated in the Land Use Rights Certificates, and the land use rights of these parcels of land property can be transferred, sublet, mortgaged or otherwise handled by the Group legally;
- b. For the land mentioned in note 4 and portions of the land mentioned in note 5 which have not been obtained Land Use Rights Certificate with a total site area of approximately 56,207 sq.m., the Group's occupancy and use of the land cannot be legally protected by the PRC law before the relevant Land Use Rights Certificates had been obtained;
 - c. For the buildings mentioned in note 6 and note 7, the buildings can be transferred, sublet, mortgaged or handled by the Group legally;
 - d. Chuanyou Guanghan Honghua Co., Ltd. is the predecessor of Sichuan Honghua Petroleum Equipment Co., Ltd. For all the Building Ownership Certificates and Land Use Rights Certificates registered under the name of Chuanyou Guanghan Honghua Co., Ltd., there is no material legal impediment for the Group to change the title registration.
 - e. The industrial building of the property is under construction, Honghua Company has obtained the Construction Work Planning Permit. The valid approval from relevant authorities to construct the building of the property has not been obtained. The relevant procedure is in process.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 December 2007 RMB
2. 46 units located at Honghuayuan Guang Dong Road Dong Yi Duan Guanghan Sichuan Province The PRC	<p>The property comprises 46 units on Levels 1-6 of several 6-storey residential buildings completed between 1999 and 2004.</p> <p>The property has a total gross floor area of approximately 3,869.8125 sq.m.</p> <p>The land use rights of the property were granted for terms of 50 years expiring between 1 October 2043 and 30 May 2052.</p>	The property is currently occupied by the Group for residential purpose.	4,869,000 100% interest attributable to the Group: RMB 4,869,000

Notes:

1. Pursuant to 7 State-owned Land Use Rights Certificates — Guang Guo Yong (2006) Di Nos.12190 and 12404 to 12407, Guang Guo Yong (2000) Zi Di No.054 and Guang Guo Yong (2005) Di No.7083, the land use rights of 7 parcels of land with a total apportioned site area of approximately 4,826.98 sq.m. were granted to Chuanyou Guanghan Honghua Co., Ltd. for terms of 50 years expiring between 1 October 2043 and 30 May 2052 for residential use.
2. Pursuant to 5 Building Ownership Certificates — Guang Quan Zi Di Nos.33893, 33894, 33895, 33897 and Fang Quan Zheng Guang Quan Zi Di No. 5922-1, 46 units with a total gross floor area of approximately 3,869.8125 sq.m. are owned by Chuanyou Guanghan Honghua Co., Ltd.
3. Chuanyou Guanghan Honghua Co., Ltd. is the predecessor of Sichuan Honghua Petroleum Equipment Co., Ltd. (“Honghua Company”), a wholly-owned subsidiary of the Company.
4. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, *inter alia*, the following:
 - a. The property can be transferred, sublet, mortgaged or otherwise handled by the Group legally;
 - b. Chuanyou Guanghan Honghua Co., Ltd. is the predecessor of Honghua Company. For all the Building Ownership Certificates and Land Use Rights Certificates registered under the name of Chuanyou Guanghan Honghua Co., Ltd., there is no material legal impediment for the Group to change the title registration.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 December 2007 RMB
3. 12 units located at Guangyiuyuan Zhong Shan Da Dao Nan Er Duan Guanghan Sichuan Province The PRC	<p>The property comprises 12 units on Levels 1-6 of several 6-storey residential buildings completed in 2006.</p> <p>The property has a total gross floor area of approximately 1,641.58 sq.m.</p> <p>The land use rights of the property were granted for a term of 70 years expiring on 29 June 2074.</p>	The property is currently occupied by the Group for residential purpose.	2,265,000 100% interest attributable to the Group: RMB2,265,000

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate — Guang Guo Yong (2007) Di No.16042, the land use rights of a parcel of land with an apportioned site area of approximately 269.05 sq.m. were granted to Sichuan Honghua Petroleum Equipment Co., Ltd. (“Honghua Company”) for a term of 70 years expiring on 29 June 2074 for residential use.
2. Pursuant to a Building Ownership Certificate — Fang Quan Zheng Guang Quan Zi Di No.44694, 12 units with a total gross floor area of approximately 1,641.58 sq.m. are owned by Honghua Company.
3. Honghua Company is a wholly-owned subsidiary of the Company.
4. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, *inter alia*, the following:

The property can be transferred, sublet, mortgaged or otherwise handled by the Group legally.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 December 2007 RMB
4.	<p>2 parcels of land, various buildings and structures located at Chuang Ye Bei Yi Road Jin Niu District Chengdu Sichuan Province The PRC</p> <p>The property comprises 2 parcels of land with a total site area of approximately 48,529.14 sq.m. and 4 buildings and various ancillary structures erected thereon completed in 2006.</p> <p>The buildings have a total gross floor area of approximately 11,236.85 sq.m.</p> <p>The buildings include a workshop, 2 office buildings and a gatehouse.</p> <p>The structures mainly comprise boundary fences, roads, gates, etc.</p> <p>The property also comprises an industrial building which is under construction.</p> <p>The industrial building is scheduled to be completed in May 2008, and the total construction cost is estimated to be approximately RMB 15,766,369, of which RMB 9,942,580.5 has been spent up to the date of valuation. The total gross floor area of the industrial building will be approximately 16,158.9 sq.m. upon completion.</p> <p>The land use rights of the property were granted for terms of 50 years expiring on 28 March 2055 and 30 December 2056.</p>	<p>The property is currently occupied by the Group for production purpose.</p>	<p>54,084,000</p> <p>80% interest attributable to the Group: RMB 43,267,000</p>

Notes:

1. Pursuant to 2 State-owned Land Use Rights Certificates — Cheng Guo Yong (2005) Di No.542 dated 17 May 2005 and Cheng Guo Yong (2007) Di No.122 dated 30 January 2007, the land use rights of 2 parcels of land with a total site area of approximately 48,529.14 sq.m. were granted to Chengdu Hongtian Electronic Drive Engineering Co., Ltd. (“Hongtian Company”) for terms of 50 years expiring on 28 March 2055 and 30 December 2056 for industrial use.
2. Pursuant to 3 Building Ownership Certificates — Cheng Fang Quan Zheng Jian Zheng Zi Di Nos. 1565985, 1565973 and 1566992, 4 buildings with a total gross floor area of approximately 11,236.85 sq.m. are owned by Hongtian Company.
3. Hongtian Company is an indirectly 80% interest owned subsidiary of the Company.

4. Pursuant to a Tenancy Agreement entered into between Honghua International Co., Ltd., an indirectly 80% interest owned subsidiary of the Company, and Hongtian Company, portion of a building with a gross floor area of approximately 3,500 sq.m. is leased to Honghua International Co., Ltd. for a term of 5 years at an annual rental of RMB840,000, inclusive of management fees, water and electricity charges.
5. Pursuant to a Construction Work Planning Permit — Guan Gui Jian Zhu No.2007-310, in favour of Hongtian Company, a building with a gross floor area of approximately 16,158.9 sq.m. has been approved for construction.
6. Pursuant to a Construction Work Commencement Permit — No. 510100200709250201 in favour of Hongtian Company, permission by the relevant local authority has been given to commence the construction.
7. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:
 - a. The Group legally has obtained the use rights of the land within the terms stated in the Land Use Rights Certificates, and the land use rights of the property can be transferred, sublet, mortgaged or otherwise handled by the Group legally;
 - b. The buildings can be transferred, sublet, mortgaged or handled by the Group legally;
 - c. Honghua International Co., Ltd. can legally use the property mentioned in note 4 within the terms stated in the tenancy agreement.
 - d. The industrial building of the property is under construction, Hongtian Company has obtained the Construction Work Planning Permit and Construction Work Commencement Permit of the building of the property.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 December 2007 RMB
5. A unit located at No. 9 Tong De Jie Qing Yang District Chengdu Sichuan Province The PRC	<p>The property comprises a unit on Level 7 of a 9-storey residential building completed in 2001.</p> <p>The property has a gross floor area of approximately 83.35 sq.m.</p> <p>The land use rights of the property were granted for a term expiring on 14 December 2070.</p>	The property is currently occupied by the Group for residential purpose.	<p>334,000</p> <p>80% interest attributable to the Group: RMB267,000</p>

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate — Qing Yang Guo Yong (2005) Di No.15200 dated 14 December 2005, the land use rights of a parcel of land with an apportioned site area of approximately 8.81 sq.m. were granted to Chengdu Hongtian Electronic Drive Engineering Co., Ltd. (“Hongtian Company”) for a term of 65 years expiring on 14 December 2070 for residential use.
2. Pursuant to a Building Ownership Certificate — Cheng Fang Jian Zheng Zi Di No. 0963914, a unit with a gross floor area of approximately 83.35 sq.m. is owned by Hongtian Company.
3. Hongtian Company is an indirectly 80% interest owned subsidiary of the Company.
4. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, *inter alia*, the following:

The property can be transferred, sublet, mortgaged or otherwise handled by the Group legally.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 December 2007 RMB
6. 2 parcels of land, various buildings and structures located at San Ya Road Yi Duan Guanghan Sichuan Province The PRC	<p>The property comprises a parcel of land with a site area of approximately 38,943.2 sq.m. and 5 buildings and various ancillary structures erected thereon completed in various stages between 2006 and 2007.</p> <p>The buildings have a total gross floor area of approximately 16,949.22 sq.m.</p> <p>The buildings mainly include 2 workshops, an office building, a composite building and a guardhouse.</p> <p>The structures mainly comprise boundary fences, roads, gates, etc.</p> <p>The land use rights of the property were granted for a term of 50 years expiring on 27 June 2057.</p> <p>The property also comprises a parcel of land with a site area of approximately 43,333 sq.m. which is vacant.</p> <p>The land use rights of the property were collectively-owned.</p>	<p>A parcel of land with a site area of approximately 38,943.2 sq.m. and 5 buildings erected thereon are currently occupied by the Group for production purposes. For the remaining parcel of land with a site area of approximately 43,333 sq.m. is currently vacant.</p>	<p>21,971,000</p> <p>80% interest attributable to the Group: RMB 17,577,000</p>

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract - No.2007-00614 dated 28 June 2007 entered into between the State-owned Land Resource Bureau of Guanghan City of Sichuan Province and Sichuan Honghua Youxin Petroleum Machinery Co., Ltd (“Youxin Company”), the land use rights of a parcel of land with a site area of approximately 38,940.2 sq.m. were contracted to be granted to Youxin Company for a term of 50 years commencing from the date of assigning the land for industrial use. The land use rights premium is RMB 32,709,600.
2. Pursuant to a State-owned Land Use Rights Certificate — Guang Guo Yong (2007) Di No.19819, the land use rights of a parcel of land with a site area of approximately 38,943.2 sq.m. were granted to Youxin Company for a term of 50 years expiring on 27 June 2057 for industrial use.
3. Pursuant to an Investment Agreement entered into between Guanghan Economic Development Zone Management Committee of Sichuan Province and Guanghan Youxin Co., Ltd., the land use rights of a parcel of land with a site area of approximately 65 mu (43,333 sq.m.) will be granted to Guanghan Youxin Co., Ltd. at a consideration of RMB110,000 per mu. As informed by the Company, the purchase price of the land has been fully paid and the relevant land grant procedures are in process.

4. As advised by the Company, the land use rights of a parcel of land with a site area of approximately 43,333 sq.m. were still collectively-owned as at the date of valuation. Therefore, we have not attributed any commercial value to this parcel of land.
5. Pursuant to 2 Building Ownership Certificates — Fang Quan Zheng Guang Quan Zi Di Nos. 47360 and 47361, 5 buildings with a total gross floor area of approximately 16,949.22 sq.m. are owned by Youxin Company.
6. Youxin Company is an indirectly 80% interest owned subsidiary of the Company.
7. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:
 - a. For the land mentioned in note 2, the Group legally has obtained the use rights of the land within the terms stated in the Land Use Rights Certificates, and the land use rights of this parcel of land can be transferred, sublet, mortgaged or handled by the Group legally;
 - b. For the land mentioned in note 3, the Group's occupancy and use of the land cannot be legally protected by the PRC law before the relevant land use rights certificates had been obtained;
 - c. The buildings mentioned in note 5 can be transferred, sublet, mortgaged, and otherwise handled by the Group legally.

VALUATION CERTIFICATE

GROUP II — PROPERTY INTERESTS OWNED AND OCCUPIED BY THE GROUP IN THE UNITED STATES

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 December 2007 <i>RMB</i>
7. A parcel of land, various buildings and structures located at 8300 McHard Road, Houston TX 77053 The United States	<p>The property comprises a parcel of land with a site area of approximately 80,937 sq.m. (20 acre) and a building and various ancillary structures erected thereon completed in 2006.</p> <p>The building has a gross floor area of approximately 7,065 sq.m. (76,046 square feet).</p> <p>The building consists of office and warehousing areas.</p> <p>The structures mainly comprise boundary fences, roads, gates, etc.</p> <p>The property is currently held under a fee simple interest.</p>	The property is currently occupied by the Group for office and warehousing purposes.	25,566,000 80% interest attributable to the Group: RMB20,453,000

Notes:

1. The registered owner of the property is Honghua America, LLC.
2. Honghua America, LLC is an indirectly 80% interest owned subsidiary of the Company.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 December 2007 <i>RMB</i>
8. 3 houses located at Orchid Creek Drive, Pearland TX, 77584 The United States	The property comprises 3 houses completed in about 2006. The property has a total gross floor area of approximately 981 sq.m. (10,558 square feet). The property is currently held under a fee simple interest.	The property is currently occupied by the Group for residential purposes.	6,939,000 80% interest attributable to the Group: RMB5,551,000

Notes:

1. The registered owner of the property is New Continental Equipment Co., LLC.
2. New Continental Equipment Co., LLC is the predecessor of Honghua America, LLC, an indirectly 80% interest owned subsidiary of the Company.

VALUATION CERTIFICATE

GROUP III — PROPERTY INTEREST RENTED AND OCCUPIED BY THE GROUP IN THE PRC

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 December 2007 RMB
9. Portion of Hongtai Commercial Building No. 1 Guangdong Road Dong Yi Duan Guanghan Sichuan Province The PRC	<p>The property comprises several units on the 1st and 2nd floor of a 7-storey composite building completed in about 2004.</p> <p>The property has a total gross floor area of approximately 1,698.11 sq.m.</p> <p>The property is leased to the Group for terms with the latest expiring date on 31 December 2008 from a connected party.</p>	The property is currently occupied by the Group for office purpose.	No commercial value

Notes:

- Pursuant to a Tenancy Agreement entered into between Guanghan Hongtai Business Trading Co., Ltd. and Sichuan Honghua Petroleum Equipment Co., Ltd. ("Honghua Company"), several units with a total gross floor area of approximately 1,040.94 sq.m. are leased to Honghua Company for a term of one year expiring on 30 November 2008 at an annual rental of RMB192,000, exclusive of town gas, water and electricity charges.
- Pursuant to a Tenancy Agreement entered into between Guanghan Hongtai Business Trading Co., Ltd. and Honghua Company, several units with a total gross floor area of approximately 607.17 sq.m. are leased to Honghua Company for a term of one year expiring on 31 December 2008 at an annual rental of RMB91,200, exclusive of town gas, water and electricity charges.
- Pursuant to a Tenancy Agreement entered into between Guanghan Hongtai Business Trading Co., Ltd. and Honghua Company, a unit with a gross floor area of approximately 50 sq.m. is leased to Honghua Company for a term of one year expiring on 30 April 2008 at an annual rental of RMB6,000, exclusive of town gas, water and electricity charges.
- We have been provided with a legal opinion on the legality of the lease agreements to the property issued by the Company's PRC legal advisers, which contains, *inter alia*, the following:
The Group can legally use the property within the terms stated in the tenancy agreements.