
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about this circular or as to the action to be taken, you should consult your stockbroker, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Honghua Group Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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Honghua Group Limited
宏華集團有限公司

(a company incorporated in the Cayman Islands with limited liability)
(Stock Code: 196)

**PROPOSED RE-ELECTION OF DIRECTORS
AND GENERAL MANDATES TO REPURCHASE SHARES
AND TO ISSUE NEW SHARES OF THE COMPANY**

A notice convening the annual general meeting of Honghua Group Limited to be held at 5th Floor Jinjiang Room, Pride International Convention Centre, Chengdu, Sichuan, PRC on Friday, 27 June 2008 at 9:30a.m. is set out on pages 29 to 31 of this circular. A form of proxy for use at the annual general meeting is also enclosed. Such form of proxy is also published on the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk).

If you do not propose to attend the meeting, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return the same to the Company's Branch Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time fixed for the holding of the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the meeting should they so wish.

30 May 2008

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

“Annual General Meeting”	an annual general meeting of the Company to be held at 5th Floor Jinjiang Room, Pride International Convention Centre, Chengdu, Sichuan, PRC on Friday, 27 June 2008 at 9:30 a.m. to consider and, if appropriate, to approve the resolutions contained in the notice of the meeting which is set out on pages 29 to 31 of this circular or any adjournment thereof;
“Board”	the board of Directors;
“Buyback Mandate”	as defined in paragraph 3(a) of the Letter from the Board;
“Company”	Honghua Group Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Stock Exchange;
“Current Articles of Association”	the current articles of association of the Company;
“Director(s)”	director(s) of the Company;
“Group”	the Company and its subsidiaries;
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China;
“Issuance Mandate”	as defined in paragraph 3(b) of the Letter from the Board;
“Latest Practicable Date”	27 May 2008, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong;
“Share(s)”	ordinary share(s) of HK\$0.1 each in the capital of the Company or if there has been a subsequent sub-division, consolidation, reclassification or reconstruction of the share capital of the Company, shares forming part of the ordinary equity share capital of the Company;
“Shareholder(s)”	holder(s) of Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers issued by the Securities and Future Commission in Hong Kong;
“HK\$”	Hong Kong dollars.

LETTER FROM THE BOARD



Honghua Group Limited 宏華集團有限公司

(a company incorporated in the Cayman Islands with limited liability)

(Stock Code: 196)

Executive Directors

Mr Zhang Mi (*Chairman*)
Mr Ren Jie
Mr Liu Zhi

Non-executive Directors

Mr Siegfried Meissner
Mr Xiang Qingsheng
Mr He Sean Xing

Independent Non-executive Directors

Mr Qi Daqing
Mr Liu Xiaofeng
Mr Chen Guoming
Mr Liu Yinchun
Mr Wang Li
Mr Tai Kwok Leung Alexander
Mr Wang Chunlin

Head Office:

99 East Road, Information Park
Jinniu District, Chengdu
Sichuan 610036
People's Republic of China

Principal Place of Business in Hong Kong:

Room 908, Hutchison House
Central, Hong Kong

Registered Office

Clifton House, 75 Fort Street
PO Box 1350, Grand Cayman
KY 1-1108

30 May 2008

To shareholders

Dear Sir/Madam,

PROPOSED RE-ELECTION OF DIRECTORS AND GENERAL MANDATES TO REPURCHASE SHARES AND TO ISSUE NEW SHARES OF THE COMPANY

1. INTRODUCTION

The purpose of this circular is to provide you with information in respect of the resolutions to be proposed at the Annual General Meeting for (i) the re-election of Directors retiring at the Annual General Meeting; (ii) the granting of the Buyback Mandate to the Directors; (iii) the granting of the Issuance Mandate to the Directors; and (iv) the extension of the Issuance Mandate by adding to it the aggregate number of the issued Shares repurchased by the Company under the Buyback Mandate.

2. RE-ELECTION OF DIRECTORS

Pursuant to article 108(a) and (b) of the Current Articles of Association, at each annual general meeting, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that

LETTER FROM THE BOARD

every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every 3 years. A retiring Director shall be eligible for re-election. The Company at the general meeting at which a Director retires may fill the vacated office.

The Directors to retire by rotation shall include (so far as necessary to obtain the number required) any Director who wishes to retire and not to offer himself for re-election. Any Director who has not been subject to retirement by rotation in the 3 years preceding the annual general meeting shall retire by rotation at such annual general meeting. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot.

Pursuant to article 112 of the Current Articles of Association, the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an additional Director but so that the number of Directors so appointed shall not exceed the maximum number determined from time to time by the Shareholders in general meeting. Any Director so appointed shall hold office only until the next general meeting of the Company and shall then be eligible for re-election at the meeting but shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at such meeting.

Pursuant to articles 108(a), 108(b) and 112 of the Current Articles of Association, Mr Zhang Mi, Mr Ren Jie, Mr Liu Zhi, Mr Siegfried Meissner, Mr Xiang Qingsheng, Mr He Sean Xing, Mr Qi Daqing, Mr Liu Xiaofeng, Mr Chen Guoming, Mr Liu Yinchun, Mr Wang Li, Mr Tai Kwok Leung Alexander and Mr Wang Chunlin shall retire at the Annual General Meeting. All the retiring Directors, being eligible will offer themselves for re-election.

Brief biographical details of the retiring Directors are set out in Appendix III of this circular.

3. BUYBACK AND ISSUANCE MANDATES

Ordinary resolutions will be proposed at the Annual General Meeting to approve the grant of new general mandates to the Directors:

- (a) to purchase Shares on the Stock Exchange of an aggregate nominal amount of up to ten per cent of the aggregate nominal amount of the issued share capital of the Company on the date of passing such resolution (i.e. an aggregate nominal amount of shares up to HK\$33,333,600 (equivalent to 333,336,000 shares) on the basis that the issued share capital of the Company remains unchanged on the date of Annual General Meeting) (“Buyback Mandate”);
- (b) to issue, allot and deal with Shares of an aggregate nominal amount of up to twenty per cent of the aggregate nominal amount of the share capital of the Company in issue on the date of passing such resolution (i.e. an aggregate nominal amount of shares up to HK\$66,667,200 (equivalent to 666,672,000 shares) on the basis that the issued share capital of the Company remains unchanged on the date of Annual General Meeting) (“Issuance Mandate”); and
- (c) to extend the Issuance Mandate by an amount representing the aggregate nominal amount of the Shares repurchased by the Company pursuant to and in accordance with the Buyback Mandate.

The Buyback Mandate and the Issuance Mandate will continue in force until the conclusion of the next annual general meeting of the Company or any earlier date as referred to in resolutions numbered 4 and 5 set out in the notice of the Annual General Meeting.

In accordance with the requirements of the Listing Rules, the Company is required to send to the Shareholders an explanatory statement containing all the information reasonably necessary to enable them to make an informed decision on whether to vote for or against the grant of the Buyback Mandate. An explanatory statement as required by the Listing Rules in connection with the Buyback Mandate is set out in Appendix I to this circular.

LETTER FROM THE BOARD

4. ANNUAL GENERAL MEETING AND PROXY ARRANGEMENT

The notice of the Annual General Meeting is set out on pages 29 to 31 of this circular. At the Annual General Meeting, resolutions will be proposed to approve, inter alia, the re-election of Directors, the granting of the Buyback Mandate and the Issuance Mandate and the extension of the Issuance Mandate by the addition thereto of the number of Shares repurchased pursuant to the Buyback Mandate.

A form of proxy for use at the Annual General Meeting is also enclosed with this circular and such form of proxy is also published on the website of the Stock Exchange (www.hkexnews.hk). To be valid, the form of proxy must be completed and signed in accordance with the instructions printed thereon and deposited, together with the power of attorney or other authority (if any) under which it is signed or a certified copy of that power of attorney or authority, at the Company's Branch Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the Annual General Meeting or any adjournment thereof. Completion and delivery of the form of proxy will not preclude Shareholders from attending and voting at the Annual General Meeting if they so wish.

5. RECOMMENDATION

The Directors consider that the proposed re-election of Directors, the granting of the Buyback Mandate and the granting/extension of the Issuance Mandate are in the interests of the Company and the Group and the Shareholders. Accordingly, the Directors recommend Shareholders to vote in favour of the relevant resolutions to be proposed at the Annual General Meeting.

6. GENERAL INFORMATION

Your attention is drawn to the additional information set out in the Appendix I (Explanatory statement on the Buyback Mandate), Appendix II (Procedure by which the Shareholders may demand a poll at a general meeting pursuant to the Current Articles of Association) and Appendix III (Details of Directors proposed to be re-elected at the Annual General Meeting) to this circular.

Yours faithfully,
Zhang Mi
Chairman of the Board

APPENDIX I EXPLANATORY STATEMENT ON THE BUYBACK MANDATE

This Appendix serves as an explanatory statement, as required by the Listing Rules, to provide requisite information to you for your consideration of the Buyback Mandate.

1. REASONS FOR SHARE BUYBACK

The Directors believe that the proposed granting of the Buyback Mandate is in the interests of the Company and the Shareholders.

Repurchases may, depending on market conditions and funding arrangements at the time, result in an enhancement of the net assets and/or earnings per Share. The Directors are seeking the granting of the Buyback Mandate to give the Company the flexibility to do so if and when appropriate. The number of Shares to be repurchased on any occasion and the price and other terms upon which the same are repurchased will be decided by the Directors at the relevant time, having regard to the circumstances then pertaining.

2. SHARE CAPITAL

As at the Latest Practicable Date, the issued share capital of the Company comprised 3,333,360,000 Shares.

Subject to the passing of the ordinary resolution numbered 4 set out in the notice of the Annual General Meeting in respect of the granting of the Buyback Mandate and on the basis that no Shares are issued or repurchased by the Company prior to the Annual General Meeting, the Company would be allowed under the Buyback Mandate to repurchase a maximum of 333,336,000 Shares (representing 10 per cent. of the Shares in issue as at the date of the Annual General Meeting) during the period in which the Buyback Mandate remains in force.

3. FUNDING OF REPURCHASES

In repurchasing Shares, the Company may only apply funds legally available for such purpose in accordance with its memorandum and articles of association, the laws of the Cayman Islands and other applicable laws.

The Company is empowered by its memorandum and articles of association to repurchase its Shares. The laws of the Cayman Islands provide that the amount of capital paid in connection with a share repurchase may only be paid out of either the profits of the company or out of the proceeds of a fresh issue of shares made for such purpose or, if so authorised by its articles of association and subject to the provisions of the Cayman Islands laws, out of capital. The amount of premium payable on repurchase may be paid out of profits of the company or out of the share premium account of the company, or, if so authorised by its articles of association and subject to the provisions of the Cayman Islands laws, out of capital before the shares are repurchased.

4. IMPACT OF REPURCHASES

There might be a material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in the audited accounts contained in the annual report of the Company for the year ended 31 December 2007) in the event that the Buyback Mandate was to be carried out in full at any time during the proposed repurchase period. However, the Directors do not intend to exercise the Buyback Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

5. TAKEOVERS CODE

If, on the exercise of the power to repurchase Shares pursuant to the Buyback Mandate, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder, or group of

APPENDIX I EXPLANATORY STATEMENT ON THE BUYBACK MANDATE

Shareholders acting in concert, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code for all the Shares not already owned by such Shareholder or group of Shareholders.

As at the Latest Practicable Date, Mr Zhang Mi, Mr Ren Jie and Mr Liu Zhi, Directors of the Company, together with parties acting in concert with them were beneficially interested in 1,643,752,837 (including share options to be exercised) Shares, representing approximately 49.31% of the total issued share capital of the Company. On the basis that no Shares are issued or repurchased prior to the date of the Annual General Meeting, in the event that the Directors exercise in full the power to repurchase Shares in accordance with the terms of the relevant ordinary resolution to be proposed at the Annual General Meeting, the interests of the said Directors in the issued Shares would be increased to approximately 54.79% of the total issued share capital of the Company and such an increase may give rise to an obligation to make a mandatory offer under the Takeovers Code. The Directors have no intention to make repurchase of shares to an extent that an obligation to make a mandatory offer under the Takeovers Code will be triggered.

6. GENERAL

None of the Directors or, to the best of their knowledge having made all reasonable enquiries, any of their respective associates (as defined in the Listing Rules) have any present intention to sell any Shares to the Company in the event that the granting of the Buyback Mandate is approved by the Shareholders.

The Company has not been notified by any connected persons (as defined in the Listing Rules) of the Company that they have a present intention to sell any Shares to the Company, or that they have undertaken not to sell any Shares held by them to the Company in the event that the granting of the Buyback Mandate is approved by the Shareholders.

The Directors have undertaken to the Stock Exchange to exercise the power of the Company to make repurchases of Shares pursuant to the Buyback Mandate in accordance with the Listing Rules and the laws of the Cayman Islands.

7. MARKET PRICES OF SHARES

The highest and lowest prices per Share at which the Shares have traded on the Stock Exchange during the period from 7 March 2008 (the date on which the shares were listed on the Stock Exchange) and up to the Latest Practicable Date were as follows:

Month	Highest HK\$	Lowest HK\$
2008		
March	3.98	2.05
April	3.33	2.50
May	3.68	3.09

8. REPURCHASES OF SHARES MADE BY THE COMPANY

No repurchase of Shares has been made by the Company during the previous six months (whether on the Stock Exchange or otherwise).

APPENDIX II**PROCEDURE BY WHICH THE SHAREHOLDERS MAY
DEMAND A POLL AT A GENERAL MEETING PURSUANT
TO THE CURRENT ARTICLES OF ASSOCIATION**

The following paragraphs set out the procedure by which the Shareholders may demand a poll at a general meeting of the Company (including the Annual General Meeting) pursuant to the Current Articles of Association.

According to article 72 of the Current Articles of Association, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded:

- (a) by the chairman of such meeting; or
- (b) by at least 2 Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy for the time being entitled to vote at the meeting; or
- (c) by any Shareholder or Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy and representing not less than one-tenth of the total voting rights of all Shareholders having the right to vote at the meeting; or
- (d) by any Shareholder or Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy and holding Shares conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all Shares conferring that right.

APPENDIX III**DETAILS OF DIRECTORS PROPOSED TO BE
RE-ELECTED AT THE ANNUAL GENERAL MEETING**

Pursuant to the Listing Rules, the details of the Directors who will retire at the Annual General Meeting according to the Current Articles of Association and will be proposed to be re-elected at the Annual General Meeting are provided below.

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

Experience

Mr. Zhang Mi, 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.

Subsidiary	Position	Term of Office
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 since February 2007, for his significant contribution to the development of machinery engineering in the PRC.

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 (國家級火炬計劃項目). In 2005, Mr. Zhang was awarded the Sichuan Province Prize for Outstanding Talent in Innovation (四川省第三屆杰出創新人才獎), 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.

Save as disclosed, Mr. Zhang did not hold any directorships in any other listed public companies in the last three years.

Length of service and emoluments

Zhang Mi has entered into a service contract with the Company for a fixed term of 3 years commencing from 7 March 2008 unless and until terminated by, among others, either party giving to the other not less than three calendar months' prior notice in writing or terminated according the terms and conditions of the service contract. The service contract, when expires, will be renewable for a term of three years until being terminated according to the service contract.

According to the service contract Zhang Mi will, based on his position and duties in the Group, be entitled to a director's fee of HKD1,600,000 per year. The emolument will be paid in equal installments of 12 months, and the emolument payable each month shall be paid on or before the last working day of the

month. In case the term of office of the executive director at that month is less than one month, the emolument of the executive director shall be adjusted on pro-rata basis. A director appointed according to terms of the service contract as director (whether executive director or non-executive director) of any other subsidiaries will not receive additional remuneration. Emoluments for the executive director may be reviewed by the board on discretion in January each year, provided however that the adjustment amount shall not exceed fifteen percent (15%) of the prevailing emolument at that time.

In addition to the above emolument, the executive director is entitled to a discretionary bonus to be determined by the board and approved by the remuneration committee during each financial year, provided that the total amount of bonus to be paid to the executive director shall not exceed six percent (6%) of the net profit (net of tax, minority interest and such bonus payment, and excluding extraordinary items) as per the audited consolidated accounts of the Group for that financial year.

All reasonable traveling, hotel and other expenses incurred in the course of performing contractual duties and really paid by the executive director may be reimbursed (subject to producing of formal voucher or document as required by the Company for reimbursement), provided however that such expenses should be within the budgeted amount approved by the board.

During the term of employment, the executive director is entitled by the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) to join the mandatory provident fund designated by the Company from time to time; and to enjoy all allowances and benefits provided by the Company to all other staff, including the medical insurance plan selected by the Company.

Notwithstanding any provisions set out in the service contract, the executive director should avoid attending the meeting without the right to vote in respect of the board's meeting to determine his remuneration, annual salary, allowances, bonus and any other benefits, such that he shall not be counted into the quorum required by the board to approve such resolution(s).

Relationships

Other than the relationship arising from his being the Company's chairman and executive director, president, controlling shareholder, being the elder brother of Zhang Cong, a substantial shareholder of a subsidiary company of the Company, as well as his positions in the Company's subsidiaries set forth in the table below, Zhang Mi does not have any relationships with any other Directors, senior management, substantial shareholders (as defined in the Listing Rules), or controlling shareholders (as defined in the Listing Rules) of the Company.

Subsidiary	Position	Term of Office
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

Interests in Shares

As at the Latest Practicable Date, Zhang Mi was interested in 1,643,752,837 shares, representing 49.31% of the Company's total issued shares under Part XV of the SFO.

Matters that need to be brought to the attention of the Shareholders

There is no information to be disclosed pursuant to any of the requirements of the provisions under paragraphs 13.51(2)(h) to 13.51(2)(v) of the Listing Rules, and there are no other matters concerning Zhang Mi that need to be brought to the attention of the Shareholders of the Company.

APPENDIX III**DETAILS OF DIRECTORS PROPOSED TO BE
RE-ELECTED AT THE ANNUAL GENERAL MEETING**

Mr. Ren Jie (任杰先生), aged 41, has been an Executive Director of the Company since January 18, 2008. He is also a Vice-president of the Company.

Experience

Mr. Ren Jie (任杰先生), 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.

Subsidiary	Position	Term of Office
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

Save as disclosed, Ren Jie did not hold any directorships in any other listed public companies in the last three years.

Length of service and emoluments

Ren Jie has entered into a service contract with the Company for a fixed term of 3 years commencing from 7 March 2008 unless and until terminated by, among others, either party giving to the other not less than three calendar months' prior notice in writing or terminated according the terms and conditions of the service contract. The service contract, when expires, will be renewable for a term of three years until being terminated according to the service contract.

According to the service contract, Ren Jie will, based on his position and duties in the Group, be entitled to a director's fee of HKD960,000 per year. The emolument will be paid in equal installments of 12 months, and the emolument payable each month shall be paid on or before the last working day of the month. In case the term of office of the executive director at that month is less than one month, the emolument of the executive director shall be adjusted on pro-rata basis. A director appointed according to terms of the service contract as director (whether executive director or non-executive director) of any other subsidiaries will not receive additional remuneration. Emoluments for the executive director may be reviewed by the board on discretion in January each year, provided however that the adjustment amount shall not exceed fifteen percent (15%) of the prevailing emolument at that time.

In addition to the above emolument, the executive director is entitled to a discretionary bonus to be determined by the board and approved by the remuneration committee during each financial year, provided

that the total amount of bonus to be paid to the executive director shall not exceed six percent (6%) of the net profit (net of tax, minority interest and such bonus payment, and excluding extraordinary items) as per the audited consolidated accounts of the Group for that financial year.

All reasonable traveling, hotel and other expenses incurred in the course of performing contractual duties and really paid by the executive director may be reimbursed (subject to producing of formal voucher or document as required by the Company for reimbursement), provided however that such expenses should be within the budgeted amount approved by the board.

During the term of employment, the executive director is entitled by the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) to join the mandatory provident fund designated by the Company from time to time; and to enjoy all allowances and benefits provided by the Company to all other staff, including the medical insurance plan selected by the Company.

Notwithstanding any provisions set out in the service contract, the executive director should avoid attending the meeting without the right to vote in respect of the board's meeting to determine his remuneration, annual salary, allowances, bonus and any other benefits, such that he shall not be counted into the quorum required by the board to approve such resolution(s).

Relationships

Other than the relationship arising from his being the Company's executive director, vice-president, controlling shareholder, as well as his positions in the Company's subsidiaries set forth in the table below, Ren Jie does not have any relationships with any other Directors, senior management, substantial shareholders (as defined in the Listing Rules), or controlling shareholders (as defined in the Listing Rules) of the Company.

Subsidiary	Position	Term of Office
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

Interests in Shares

As at the Latest Practicable Date, Ren Jie was interested in 1,643,752,837 shares, representing 49.31% of the Company's total issued shares under Part XV of the SFO.

Matters that need to be brought to the attention of the Shareholders

There is no information to be disclosed pursuant to any of the requirements of the provisions under paragraphs 13.51(2)(h) to 13.51(2)(v) of the Listing Rules, and there are no other matters concerning Ren Jie that need to be brought to the attention of the Shareholders of the Company.

APPENDIX III**DETAILS OF DIRECTORS PROPOSED TO BE
RE-ELECTED AT THE ANNUAL GENERAL MEETING**

Mr Liu Zhi (劉智先生), aged 44, has been an Executive Director of the Company since May 26, 2008. He is also a Vice-president of the Company.

Experience

Mr Liu Zhi (劉智先生), aged 44, has been an Executive Director of the Company since May 26, 2008. He is also a Vice-president of the Company. Mr. Liu graduated from Southwest Petroleum University in 2003, with a Master degree in oil and gas storage and transportation. He was an engineer and a head of workshop of South-Sichuan Mining Area of Sichuan Petroleum Bureau since 1981 to 1994. Mr. Liu was the factory director of Guanghan Petroleum Machinery Factory of Sichuan Petroleum Administration from 1994 to 2000. Mr. Liu has contributed to the expansion of Honghua Group's markets inside and outside of China.

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

Subsidiary	Position	Term of Office
HH Egypt Company	director	Since April 26, 2007
Honghua Company	director	From August 17, 2006 until March 8, 2007
Honghua International	Deputy General Manager	Since January 1, 2001
	director and	Since January 13, 2004
Hongtian Company	General Manager	Since January 6, 2004
	director	Since December 8, 2006

Save as disclosed, Liu Zhi did not hold any directorship in any other listed public companies in the last three years.

Length of service and emoluments

The Company entered into a service agreement with Mr Liu commencing from 26 May 2008 for a fixed term of 3 years and thereafter is renewable for 3 years unless and until terminated by, among others, either party giving to the other not less than 3 calendar months' prior notice in writing. Under the service agreement, Mr Liu will be entitled to receive a director's salary at the rate of HK\$960,000 per annum by reference to his duties and responsibilities within the Group. Mr Liu is also entitled to, in addition to other benefits, a discretionary bonus for each financial year as determined by the Board.

APPENDIX III**DETAILS OF DIRECTORS PROPOSED TO BE
RE-ELECTED AT THE ANNUAL GENERAL MEETING**

Relationships

Other than the relationship arising from his being the Company's executive director, vice-president and controlling shareholder in the group and holding the position in the Company's subsidiaries set forth in the table below, Mr. Liu Zhi does not have any relationships with any other Directors, senior management, substantial shareholders (as defined in the Listing Rules), or controlling shareholders (as defined in the Listing Rules) of the Company.

Subsidiary	Position	Term of Office
HH Egypt Company	director	Since April 26, 2007
Honghua Company	director	Since August 17, 2006 until March 8, 2007
Honghua International	Deputy General Manager director and	Since January 1, 2001 Since January 13, 2004
Hongtian Company	General Manager director	Since January 6, 2004 Since December 8, 2006

Interests in Shares

As at the Latest Practicable Date, Liu Zhi was interested in 1,643,752,837 shares representing 49.31% of the Company's total issued shares under Part XV of the SFO.

Matters that need to be brought to the attention of the Shareholders

There is no information to be disclosed pursuant to any of the requirements of the provisions under paragraphs 13.51(2)(h) to 13.51(2)(v) of the Listing Rules, and there are no other matters concerning Liu Zhi that need to be brought to the attention of the Shareholders of the Company.

Mr Siegfried Meissner, aged 55, has been an Non-executive Director of the Company since May 26, 2008.

Experience

Mr Siegfried Meissner, aged 55, has been an Non-executive Director of the Company since May 26, 2008. Mr Meissner graduated from the Technical University of Clausthal-Zellerfeld, Germany as Dipl. Berging., specialized in drilling, reservoir and production engineering in 1982. Mr Meissner has joined Nabors Group since 1993 and has been President of Nabors International Management Limited since December 2004.

Length of service and emoluments

The Company entered into a service agreement with Mr Meissner commencing from 26 May 2008 for a fixed term of 3 years and can be extended in accordance with the Articles in force from time to time and with both parties' prior written consent unless and until terminated by, among others, either party giving to the other not less than one calendar month's prior notice in writing. Under the service agreement, Mr Meissner shall not be entitled to any fixed salary.

Relationships

Other than the relationship arising from his being the Company's non-executive director, Mr Meissner does not have any relationships with any other Directors, senior management, substantial shareholders (as defined in the Listing Rules), or controlling shareholders (as defined in the Listing Rules) of the Company.

Interests in Shares

As at the Latest Practicable Date, Siegfried Meissner did not have any interest in shares of underlying shares under Part XV of the SFO.

Matters that need to be brought to the attention of the Shareholders

There is no information to be disclosed pursuant to any of the requirements of the provisions under paragraphs 13.51(2)(h) to 13.51(2)(v) of the Listing Rules, and there are no other matters concerning Mr Siegfried Meissner that need to be brought to the attention of the Shareholders of the Company.

Mr. Xiang Qingsheng (相慶生先生), aged 61, has been a Non-executive Director of the Company since January 18, 2008.

Experience

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 1986. He obtained a senior economist qualification from CNOOC in 1997.

Save as disclosed, Xiang Qingsheng did not hold any directorships in any other listed public companies in the last three years.

Length of service and emoluments

Xiang Qingsheng has entered into a service contract with the Company for a fixed term of 3 years commencing from 7 March 2008 unless and until terminated by, among others, either party giving to the other not less than three calendar months' prior notice in writing or terminated according to the provisions concerning termination of employment of the service contract. The afore-said term of office may be renewed according to the article of associations of the Company effective from time to time or as agreed by the parties in writing in advance.

According to the service contract, Xiang Qingsheng has no fixed remuneration during the term of employment. All reasonable traveling, hotel and other expenses incurred in the course of performing contractual duties and really paid by the non-executive director may be reimbursed (subject to producing of formal voucher or document as required by the Company for reimbursement), provided however that such expenses should be in compliance with relevant rules and regulations of the Company.

Relationships

Other than the relationship arising from his being the Company's non-executive director, Xiang Qingsheng does not have any relationships with any other Directors, senior management, substantial shareholders (as defined in the Listing Rules), or controlling shareholders (as defined in the Listing Rules) of the Company.

Interests in Shares

As at the Latest Practicable Date, Xiang Qingsheng did not have any interest in shares or underlying shares under Part XV of the SFO.

Matters that need to be brought to the attention of the Shareholders

There is no information to be disclosed pursuant to any of the requirements of the provisions under paragraphs 13.51(2)(h) to 13.51(2)(v) of the Listing Rules, and there are no other matters concerning Xiang Qingsheng that need to be brought to the attention of the Shareholders of the Company.

Mr. He Sean Xing (何欣先生), aged 43, has been a Non-executive Director of the Company since January 18, 2008.

Experience

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).

Save as disclosed, He Sean Xing did not hold any directorships in any other listed public companies in the last three years.

Length of service and emoluments

He Sean Xing has entered into a service contract with the Company for a fixed term of 3 years commencing from 7 March 2008 unless and until terminated by, among others, either party giving to the other not less than three calendar months' prior notice in writing or terminated according to the provisions concerning termination of employment of the service contract. The afore-said term of office may be renewed according to the article of associations of the Company effective from time to time or as agreed by the parties in writing in advance.

According to the service contract, He Sean Xing has no fixed remuneration during the term of employment. All reasonable traveling, hotel and other expenses incurred in the course of performing contractual duties and really paid by the non-executive director may be reimbursed (subject to producing of formal voucher or document as required by the Company for reimbursement), provided however that such expenses should be in compliance with relevant rules and regulations of the Company.

Relationships

Other than the relationship arising from his being the Company's non-executive director and chairman of the Company's remuneration committee, He Sean Xing does not have any relationships with any other Directors, senior management, substantial shareholders (as defined in the Listing Rules), or controlling shareholders (as defined in the Listing Rules) of the Company.

Interests in Shares

As at the Latest Practicable Date, He Sean Xing did not have any interest in shares or underlying shares under Part XV of the SFO.

Matters that need to be brought to the attention of the Shareholders

There is no information to be disclosed pursuant to any of the requirements of the provisions under paragraphs 13.51(2)(h) to 13.51(2)(v) of the Listing Rules, and there are no other matters concerning He Sean Xing that need to be brought to the attention of the Shareholders of the Company.

Mr. Qi Daqing (齊大慶先生), aged 43, has been an Independent Non-executive Director of the Company since January 18, 2008.

Experience

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.

His clients include:

Type of client	Name of client	Duration of service
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.

Save as disclosed, Qi Daqing did not hold any directorships in any other listed public companies in the last three years.

Length of service and emoluments

Qi Daqing has entered into a service contract with the Company for a fixed term of 3 years commencing from 7 March 2008 unless and until terminated by, among others, either party giving to the other not less than three calendar months' prior notice in writing or terminated according the provisions concerning termination of employment of the service contract. The afore-said term of office may be renewed according to the article of associations of the Company effective from time to time or as agreed by the parties in writing in advance.

According to the service contract, Qi Daqing will, based on his position and duties in the Group, be entitled to fixed emolument of HKD200,000 per year. The emolument will be paid in equal installments of 12 months and released quarterly, and the emolument payable quarterly shall be paid on or before the last working day of the quarter. The emolument of the independent non-executive director is subject to approval and review of the Company's remuneration committee.

According to the service contract, all reasonable and necessary expenses (such as business trip expenses) incurred in the course of providing services to the Company under the contract by the independent non-executive director may be reimbursed after producing relevant receipt(s) or effective voucher(s) by the independent non-executive director. The Company may advance an amount to the independent non-executive director for payment all afore-said necessary expenses, provided however that the independent non-executive director must produce regularly effective expense voucher to the Company as soon as possible or as requested by the Company after payment of the said amount to have them eliminated.

Relationships

Other than the relationship arising from his being the Company's independent non-executive director and chairman of the Company's audit committee, Qi Daqing does not have any relationships with any other Directors, senior management, substantial shareholders (as defined in the Listing Rules), or controlling shareholders (as defined in the Listing Rules) of the Company.

Interests in Shares

As at the Latest Practicable Date, Qi Daqing did not have any interest in shares or underlying shares under Part XV of the SFO.

Matters that need to be brought to the attention of the Shareholders

There is no information to be disclosed pursuant to any of the requirements of the provisions under paragraphs 13.51(2)(h) to 13.51(2)(v) of the Listing Rules, and there are no other matters concerning Qi Daqing that need to be brought to the attention of the Shareholders of the Company.

Mr. Liu Xiaofeng (劉曉峰先生), aged 45, has been an Independent Non-executive Director of the Company since January 18, 2008.

Experience

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, 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 the Faculty of Economics, 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 Southwest University of Finance and Economics, China in 1983.

Save as disclosed, Liu Xiaofeng did not hold any directorships in any other listed public companies in the last three years.

Length of service and emoluments

Liu Xiaofeng has entered into a service contract with the Company for a fixed term of 3 years commencing from 7 March 2008 unless and until terminated by, among others, either party giving to the other not less than three calendar months' prior notice in writing or terminated according to the provisions concerning termination of employment of the service contract. The afore-said term of office may be renewed according to the article of associations of the Company effective from time to time or as agreed by the parties in writing in advance.

According to the service contract, Liu Xiaofeng will, based on his position and duties in the Group, be entitled to fixed emolument of HKD200,000 per year. The emolument will be paid in equal installments of 12 months and released quarterly, and the emolument payable quarterly shall be paid on or before the last working day of the quarter. The emolument of the independent non-executive director is subject to approval and review of the Company's remuneration committee.

According to the service contract, all reasonable and necessary expenses (such as business trip expenses) incurred in the course of providing services to the Company under the contract by the independent non-executive director may be reimbursed after producing relevant receipt(s) or effective voucher(s) by the independent non-executive director. The Company may advance an amount to the independent non-executive director for payment all afore-said necessary expenses, provided however that the independent non-executive director must produce regularly effective expense voucher to the Company as soon as possible or as requested by the Company after payment of the said amount to have them eliminated.

Relationships

Other than the relationship arising from his being the Company's independent non-executive director and chairman of the Company's corporate governance committee, Liu Xiaofeng does not have any relationships with any other Directors, senior management, substantial shareholders (as defined in the Listing Rules), or controlling shareholders (as defined in the Listing Rules) of the Company.

Interests in Shares

As at the Latest Practicable Date, Liu Xiaofeng did not have any interest in shares or underlying shares under Part XV of the SFO.

Matters that need to be brought to the attention of the Shareholders

There is no information to be disclosed pursuant to any of the requirements of the provisions under paragraphs 13.51(2)(h) to 13.51(2)(v) of the Listing Rules, and there are no other matters concerning Liu Xiaofeng that need to be brought to the attention of the Shareholders of the Company.

Mr. Chen Guoming (陳國明先生), aged 45, has been an Independent Non-executive Director of the Company since January 18, 2008.

Experience

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 now a Professor and a Ph.D. candidate supervisor of 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, 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). He has 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, and was awarded the National Labor Day Medal in 2007.

Save as disclosed, Chen Guoming did not hold any directorships in any other listed public companies in the last three years.

Length of service and emoluments

Chen Guoming has entered into a service contract with the Company for a fixed term of 3 years commencing from 7 March 2008 unless and until terminated by, among others, either party giving to the other not less than three calendar months' prior notice in writing or terminated according to the provisions concerning termination of employment of the service contract. The afore-said term of office may be renewed according to the article of associations of the Company effective from time to time or as agreed by the parties in writing in advance.

According to the service contract, Chen Guoming will, based on his position and duties in the Group, be entitled to fixed emolument of HKD100,000 per year. The emolument will be paid in equal installments of 12 months and released quarterly, and the emolument payable quarterly shall be paid on or before the last working day of the quarter. The emolument of the independent non-executive director is subject to approval and review of the Company's remuneration committee.

According to the service contract, all reasonable and necessary expenses (such as business trip expenses) incurred in the course of providing services to the Company under the contract by the independent non-executive director may be reimbursed after producing relevant receipt(s) or effective voucher(s) by the independent non-executive director. The Company may advance an amount to the independent non-executive director for payment all afore-said necessary expenses, provided however that the independent non-executive director must produce regularly effective expense voucher to the Company as soon as possible or as requested by the Company after payment of the said amount to have them eliminated.

Relationships

Other than the relationship arising from his being the Company's independent non-executive director, Chen Guoming does not have any relationships with any other Directors, senior management, substantial shareholders (as defined in the Listing Rules), or controlling shareholders (as defined in the Listing Rules) of the Company.

Interests in Shares

As at the Latest Practicable Date, Chen Guoming did not have any interest in shares or underlying shares under Part XV of the SFO.

Matters that need to be brought to the attention of the Shareholders

There is no information to be disclosed pursuant to any of the requirements of the provisions under paragraphs 13.51(2)(h) to 13.51(2)(v) of the Listing Rules, and there are no other matters concerning Chen Guoming that need to be brought to the attention of the Shareholders of the Company.

Mr. Liu Yinchun (劉銀春先生), aged 61, has been an Independent Non-executive Director of the Company since January 18, 2008.

Experience

Mr. Liu Yinchun (劉銀春先生), 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. He served as the deputy director and Chief Engineer of East China Oil and Geology Bureau from 1996 to 2002. In 1997, 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.

Save as disclosed, Liu Yinchun did not hold any directorships in any other listed public companies in the last three years.

Length of service and emoluments

Liu Yinchun has entered into a service contract with the Company for a fixed term of 3 years commencing from 7 March 2008 unless and until terminated by, among others, either party giving to the other not less than three calendar months' prior notice in writing or terminated according the provisions concerning termination of employment of the service contract. The afore-said term of office may be renewed according to the article of associations of the Company effective from time to time or as agreed by the parties in writing in advance.

According to the service contract, Chen Guoming will, based on his position and duties in the Group, be entitled to fixed emolument of HKD100,000 per year. The emolument will be paid in equal installments of 12 months and released quarterly, and the emolument payable quarterly shall be paid on or before the last working day of the quarter. The emolument of the independent non-executive director is subject to approval and review of the Company's remuneration committee.

According to the service contract, all reasonable and necessary expenses (such as business trip expenses) incurred in the course of providing services to the Company under the contract by the independent non-executive director may be reimbursed after producing relevant receipt(s) or effective voucher(s) by the independent non-executive director. The Company may advance an amount to the independent non-executive director for payment all afore-said necessary expenses, provided however that the independent non-executive director must produce regularly effective expense voucher to the Company as soon as possible or as requested by the Company after payment of the said amount to have them eliminated.

Relationships

Other than the relationship arising from his being the Company's independent non-executive director, Liu Yinchun does not have any relationships with any other Directors, senior management, substantial shareholders (as defined in the Listing Rules), or controlling shareholders (as defined in the Listing Rules) of the Company.

Interests in Shares

As at the Latest Practicable Date, Liu Yinchun did not have any interest in shares or underlying shares under Part XV of the SFO.

Matters that need to be brought to the attention of the Shareholders

There is no information to be disclosed pursuant to any of the requirements of the provisions under paragraphs 13.51(2)(h) to 13.51(2)(v) of the Listing Rules, and there are no other matters concerning Liu Yinchun that need to be brought to the attention of the Shareholders of the Company.

Mr. Wang Li (王礪先生), aged 37, has been an Independent Non-executive Director of the Company since January 18, 2008.

Experience

Mr. Wang Li (王礪先生), 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 business and international electronic business at Asia Economy Management College of the University of California in 1996. Mr. Wang specializes in legal services in finance, stock exchange, real estate and international business. 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.

Save as disclosed, Wang Li did not hold any directorships in any other listed public companies in the last three years.

Length of service and emoluments

Wang Li has entered into a service contract with the Company for a fixed term of 3 years commencing from 7 March 2008 unless and until terminated by, among others, either party giving to the other not less than three calendar months' prior notice in writing or terminated according to the provisions concerning termination of employment of the service contract. The afore-said term of office may be renewed according to the article of associations of the Company effective from time to time or as agreed by the parties in writing in advance.

According to the service contract, Wang Li will, based on his position and duties in the Group, be entitled to fixed emolument of HKD100,000 per year. The emolument will be paid in equal installments of 12 months and released quarterly, and the emolument payable quarterly shall be paid on or before the last working day of the quarter. The emolument of the independent non-executive director is subject to approval and review of the Company's remuneration committee.

According to the service contract, all reasonable and necessary expenses (such as business trip expenses) incurred in the course of providing services to the Company under the contract by the independent non-executive director may be reimbursed after producing relevant receipt(s) or effective voucher(s) by the independent non-executive director. The Company may advance an amount to the independent non-executive director for payment all afore-said necessary expenses, provided however that the independent non-executive director must produce regularly effective expense voucher to the Company as soon as possible or as requested by the Company after payment of the said amount to have them eliminated.

Relationships

Other than the relationship arising from his being the Company's independent non-executive director, Wang Li does not have any relationships with any other Directors, senior management, substantial shareholders (as defined in the Listing Rules), or controlling shareholders (as defined in the Listing Rules) of the Company.

Interests in Shares

As at the Latest Practicable Date, Wang Li did not have any interest in shares or underlying shares under Part XV of the SFO.

Matters that need to be brought to the attention of the Shareholders

There is no information to be disclosed pursuant to any of the requirements of the provisions under paragraphs 13.51(2)(h) to 13.51(2)(v) of the Listing Rules, and there are no other matters concerning Wang Li that need to be brought to the attention of the Shareholders of the Company.

Mr. Tai Kwok Leung Alexander (戴國良先生), aged 50, has been an Independent Non-executive Director of the Company since January 18, 2008.

Experience

Mr. Tai Kwok Leung Alexander (戴國良先生), 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.

Save as disclosed, Tai Kwok Leung did not hold any directorships in any other listed public companies in the last three years.

Length of service and emoluments

Tai Kwok Leung has entered into a service contract with the Company for a fixed term of 3 years commencing from 7 March 2008 unless and until terminated by, among others, either party giving to the other not less than three calendar months' prior notice in writing or terminated according the provisions concerning termination of employment of the service contract. The afore-said term of office may be renewed according to the article of associations of the Company effective from time to time or as agreed by the parties in writing in advance.

According to the service contract, Tai Kwok Leung will, based on his position and duties in the Group, be entitled to fixed emolument of HKD150,000 per year. The emolument will be paid in equal installments of 12 months and released quarterly, and the emolument payable quarterly shall be paid on or before the last working day of the quarter. The emolument of the independent non-executive director is subject to approval and review of the Company's remuneration committee.

According to the service contract, all reasonable and necessary expenses (such as business trip expenses) incurred in the course of providing services to the Company under the contract by the independent non-executive director may be reimbursed after producing relevant receipt(s) or effective voucher(s) by the independent non-executive director. The Company may advance an amount to the independent non-executive director for payment all afore-said necessary expenses, provided however that the independent non-executive director must produce regularly effective expense voucher to the Company as soon as possible or as requested by the Company after payment of the said amount to have them eliminated.

Relationships

Other than the relationship arising from his being the Company's independent non-executive director, Tai Kwok Leung does not have any relationships with any other Directors, senior management, substantial shareholders (as defined in the Listing Rules), or controlling shareholders (as defined in the Listing Rules) of the Company.

Interests in Shares

As at the Latest Practicable Date, Tai Kwok Leung did not have any interest in shares or underlying shares under Part XV of the SFO.

Matters that need to be brought to the attention of the Shareholders

There is no information to be disclosed pursuant to any of the requirements of the provisions under paragraphs 13.51(2)(h) to 13.51(2)(v) of the Listing Rules, and there are no other matters concerning Tai Kwok Leung that need to be brought to the attention of the Shareholders of the Company.

Mr. Wang Chunlin (王春林先生), aged 44 has been an Independent Non-executive Director of the Company since January 18, 2008.

Experience

Mr. Wang Chunlin (王春林先生), 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.

Save as disclosed, Wang Chunlin did not hold any directorships in any other listed public companies in the last three years.

Length of service and emoluments

Wang Chunlin has entered into a service contract with the Company for a fixed term of 3 years commencing from 7 March 2008 unless and until terminated by, among others, either party giving to the other not less than three calendar months' prior notice in writing or terminated according the provisions concerning termination of employment of the service contract. The afore-said term of office may be renewed according to the article of associations of the Company effective from time to time or as agreed by the parties in writing in advance.

According to the service contract, Wang Chunlin will, based on his position and duties in the Group, be entitled to fixed emolument of HKD150,000 per year. The emolument will be paid in equal installments of 12 months and released quarterly, and the emolument payable quarterly shall be paid on or before the last working day of the quarter. The emolument of the independent non-executive director is subject to approval and review of the Company's remuneration committee.

According to the service contract, all reasonable and necessary expenses (such as business trip expenses) incurred in the course of providing services to the Company under the contract by the independent non-executive director may be reimbursed after producing relevant receipt(s) or effective voucher(s) by the independent non-executive director. The Company may advance an amount to the independent non-executive director for payment all afore-said necessary expenses, provided however that the independent non-executive director must produce regularly effective expense voucher to the Company as soon as possible or as requested by the Company after payment of the said amount to have them eliminated.

Relationships

Other than the relationship arising from his being the Company's independent non-executive director, Wang Chunlin does not have any relationships with any other Directors, senior management, substantial shareholders (as defined in the Listing Rules), or controlling shareholders (as defined in the Listing Rules) of the Company.

Interests in Shares

As at the Latest Practicable Date, Wang Chunlin did not have any interest in shares or underlying shares under Part XV of the SFO.

Matters that need to be brought to the attention of the Shareholders

There is no information to be disclosed pursuant to any of the requirements of the provisions under paragraphs 13.51(2)(h) to 13.51(2)(v) of the Listing Rules, and there are no other matters concerning Wang Chunlin that need to be brought to the attention of the Shareholders of the Company.

NOTICE OF THE ANNUAL GENERAL MEETING



Honghua Group Limited 宏華集團有限公司

(a company incorporated in the Cayman Islands with limited liability)

(Stock Code: 196)

NOTICE IS HEREBY GIVEN that an Annual General Meeting (the “Meeting”) of Honghua Group Limited (the “Company”) will be held at 5th Floor Jinjiang Room, Pride International Convention Centre, Chengdu, Sichuan, PRC on Friday, 27 June 2008 at 9:30a.m for the following purposes:

1. To receive and consider the Audited Consolidated Financial Statements and the Reports of the Directors and of the Independent Auditor for the year ended 31 December 2007;
2. To re-elect Directors and authorise the Board of Directors to fix Directors’ remuneration;
3. To re-appoint Independent Auditor and authorise the Board of Directors to fix Independent Auditor’s remuneration;
4. To consider as special business and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution:

“THAT

- (a) the exercise by the Directors during the Relevant Period (as defined below) of all the powers of the Company to purchase its shares, subject to and in accordance with the applicable laws, be and is hereby generally and unconditionally approved;
- (b) the total nominal amount of shares of the Company to be purchased pursuant to the approval in paragraph (a) above shall not exceed 10% of the total nominal amount of the share capital of the Company in issue as at the date of passing of this resolution and the said approval shall be limited accordingly; and
- (c) for the purpose of this resolution, “Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:
 - (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the revocation or variation of the authority given under this resolution by ordinary resolution passed by the Company’s shareholders in general meetings; or
 - (iii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable laws to be held.”;
5. To consider as special business and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution:

“THAT

- (a) the exercise by the Directors during the Relevant Period (as defined below) of all the powers of the Company to issue, allot and deal with additional shares of the Company and to make or

NOTICE OF THE ANNUAL GENERAL MEETING

grant offers, agreements and options which would or might require shares to be allotted, issued or dealt with during or after the end of the Relevant Period (as defined below), be and is hereby generally and unconditionally approved, provided that, otherwise than pursuant to (i) a rights issue where shares are offered to shareholders on a fixed record date in proportion to their then holdings of shares (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory outside Hong Kong), or (ii) any option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries and/or any eligible grantee pursuant to the scheme of shares or rights to acquire shares of the Company, or (iii) any scrip dividend scheme or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the articles of association of the Company, the total nominal amount of additional shares to be issued, allotted, dealt with or agreed conditionally or unconditionally to be issued, allotted or dealt with shall not in total exceed 20% of the total nominal amount of the share capital of the Company in issue as at the date of passing of this resolution and the said approval shall be limited accordingly; and

(b) for the purpose of this resolution, “Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the revocation or variation of the authority given under this resolution by ordinary resolution passed by the Company’s shareholders in general meetings; or
- (iii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable laws to be held.”; and

6. To consider as special business and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution:

“**THAT** the general mandate granted to the Directors of the Company pursuant to resolution numbered 5 above and for the time being in force to exercise the powers of the Company to allot shares and to make or grant offers, agreements and options which might require the exercise of such powers be and is hereby extended by the total nominal amount of shares in the capital of the Company repurchased by the Company pursuant to the exercise by the Directors of the Company of the powers of the Company to purchase such shares since the granting of such general mandate referred to in the above resolution numbered 4 provided that such amount shall not exceed 10% of the total nominal amount of the share capital of the Company in issue as at the date of passing of this resolution.”.

On behalf of the Board
Zhang Mi
Chairman

PRC, 30 May 2008

Notes:

1. A member of the Company who is entitled to attend and vote at the Meeting convened by the above notice is entitled to appoint a proxy to attend and vote on his behalf. A proxy need not be a member of the Company but must attend in person to represent the member. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.

NOTICE OF THE ANNUAL GENERAL MEETING

2. In order to be valid, the form of proxy together with any power of attorney or other authority under which it is signed or a certified copy of such power of attorney or authority, must be deposited with the Company's Branch Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time fixed for holding the Meeting, or any adjournment thereof. Delivery of the form of proxy shall not preclude a member of the Company from attending and voting in person at the meeting and in such event, the instrument appointing a proxy shall be deemed to be revoked.
3. The Register of Members of the Company will be closed from 23 June 2008 to 27 June 2008 both days inclusive, during which period no transfer of shares will be effected. In order to qualify for attending the Meeting convened by the above notice, all transfers accompanied by the relevant share certificate and transfer forms must be lodged with the Company's Branch Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 20 June 2008.
4. In relation to the ordinary resolutions numbered 4 to 6 set out in the above notice, the Directors wish to state that they have no immediate plan to issue any new shares or repurchase any existing shares of the Company.

As at the date of this notice, Mr Zhang Mi, Mr Ren Jie and Mr Liu Zhi are the executive Directors of the Company, and Mr Siegfried Meissner, Mr Xiang Qingsheng and Mr He Sean Xing are the non-executive Directors of the Company, and Mr Qi Daqing, Mr Liu Xiaofeng, Mr Chen Guoming, Mr Liu Yinchun, Mr Wang Li, Mr Tai Kwok Leung Alexander and Mr Wang Chunlin are the independent non-executive Directors of the Company.