
DIRECTORS, SENIOR MANAGEMENT AND STAFF

DIRECTORS

The Board consists of six Directors, three of whom are independent non-executive Directors.

The following table sets forth certain information relating to the Directors:

Executive Director

<u>Name</u>	<u>Age</u>	<u>Group Position</u>
Liu Xingxu	55	Chairman, executive Director and chief executive officer
Yan Yunhua	39	Executive Director and chief financial officer
Li Buwen	57	Executive Director

Independent non-executive Directors

<u>Name</u>	<u>Age</u>	<u>Group Position</u>
Ong Kian Guan	41	Lead independent non-executive Director
Li Shengxiao	47	Independent non-executive Director
Ong Wei Jin	43	Independent non-executive Director

Executive Directors

Liu Xingxu (劉興旭), aged 55, is the chairman of our Board, executive Director and chief executive officer, and is principally in charge of our Group's overall strategic direction as well as the management of our day-to-day business operations. Mr. Liu has approximately 15 years of experience in the chemical fertiliser industry. He is currently the Vice Chairman of China Nitrogen Fertiliser Industry Association (中國氮肥工業協會). Mr. Liu served in the military force of the PRC from 1972 to 1984, and held positions in various governmental bodies, such as advocacy officer of Xinxiang County's Discipline Inspection Commission, vice-mayor of Langgongmiao Town (朗公廟鄉) in Xinxiang County, mayor and deputy secretary of Chinese Communist Party Committee of Qiliying Town (七里營鄉) from 1984 to 1994. Mr. Liu was appointed the factory head of Xinxiang Factory, a state-owned enterprise, in charge of factory operations in 1994 and then became the general manager of XLX Chem from July 2003 to July 2006. He has been general manager of Henan XLX Fertiliser since July 2006. Mr. Liu was appointed as our executive Director on 26 July 2006. Mr. Liu did not hold any directorship with any other listed company in Hong Kong or elsewhere during the Track Record Period.

Mr. Liu graduated from Xinxiang Broadcasting and Television University (新鄉廣播電視大學) in July 1986 with a Diploma in Arts. In 2006, he completed EDP (Executive Development Programs) courses from Guanghua School of Management, Peking University (北京大學光華管理學院). In February 2003, Mr. Liu was awarded the "Provincial Safe Production Advanced Worker" (全省安全生產先進工作者) by Safe Production Supervision Bureau of Henan Province (河南省安全生產監督委員會) and Personnel Bureau of Henan Province (河南省人事局) for outstanding performance in safety work. In April 2004, he was awarded the "Henan Province Labour Model (Advanced Worker)" (河南省勞動模範(先進工作者)) and in 2005, he was awarded the "Henan Province Outstanding Private Enterprise Entrepreneur" (河南省優秀民營企業家) by the People's Government of Henan Province (河南省人民政府).

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Yan Yunhua (閔蘊華), aged 39, is our executive Director and chief financial officer, and is principally in charge of all financial matters within our Group. Ms. Yan has more than 14 years of accounting and finance experience. She joined Xinxiang Factory in December 1997 and held various positions in Xinxiang Factory, including the deputy head of finance division and the deputy chief accountant. She was the chief accountant in charge of finance of XLX Chem from 2003 to July 2006. She has been the deputy general manager of Henan XLX Fertiliser since July 2006. Ms. Yan was appointed as our executive Director on 10 November 2006. Ms. Yan did not hold any directorship with any other listed company in Hong Kong or elsewhere during the Track Record Period.

Ms. Yan obtained the accountant certification from the Ministry of Finance of the PRC in May 1997. She graduated from Xi'an Communications University (西安交通大學) in July 2003 with a degree in accountancy and obtained the senior accountant certification from Henan Province Accountant Series Senior Assessment Committee (河南省會計系列高評會) in December 2005. Ms. Yan obtained the EMBA (Executive Master of Business Administration) degree from Guanghua School of Management, Peking University in July 2009.

Li Buwen (李步文), aged 57, is our executive Director, and is principally in charge of the overall administrative functions of our Group. Mr. Li has more than 30 years of experience in chemical fertiliser industry. Mr. Li held various positions in Xinxiang Factory, including the deputy head of Xinxiang Factory. He was the deputy general manager in charge of administration department of XLX Chem from August 2003 to July 2006. He has been the deputy general manager of Henan XLX Fertiliser in charge of administrative matter since July 2006. Mr. Li was appointed as our executive Director on 10 November 2006. Mr. Li did not hold any directorship with any other listed company in Hong Kong or elsewhere during the Track Record Period.

Mr. Li obtained certification from the State Economic and Trade Commission Economic Cadre Training Centre (國家經濟貿易委員會經濟幹部培訓中心), National Enterprises Human Resource Management and Development (全國企業人力資源管理與開發) in May 2001 and certification from the Beijing Quality Association Quality Management Technical Services Centre Internal Quality System Inspector (北京質協質量管理技術服務中心內部質量體系審核員) in August 2005. As recognition of his contribution to the development of nitrogenous fertiliser industry, he was awarded the "Award of Excellence" by Nitrogenous Fertiliser Industrial Association (小氮肥工業協會) in February 1998.

Independent non-executive Directors

Ong Kian Guan (王建源), aged 41, has been appointed as our independent non-executive Director since 11 May 2007. Mr. Ong has been an audit partner with Baker Tilly TFWLCL since October 2005. He is also an independent director of three other companies listed in Singapore which includes JES International Holdings Limited, China Haida Ltd. and China Animal Healthcare Ltd. Save as disclosed above, Mr. Ong did not hold any directorship with any other listed company in Hong Kong or elsewhere during the Track Record Period.

Mr. Ong graduated from the Nanyang Technological University in Singapore with a bachelor of accountancy in May 1992.

Mr. Ong was appointed as our lead independent non-executive Director because the Singapore Code of Corporate Governance (the "**Singapore Corporate Governance Code**") issued by the SGX-ST provides that companies incorporated in Singapore may appoint an independent non-executive director to be the lead independent director while the chairman and

DIRECTORS, SENIOR MANAGEMENT AND STAFF

the chief executive officer is the same person. Given that Mr. Liu is both our chairman and the chief executive officer, Mr. Ong has been appointed as our lead independent non-executive Director. Based on the provisions of the Singapore Corporate Governance Code, the role of the lead independent non-executive director is to be available to shareholders when they have concerns which (i) cannot be resolved even after they have brought it to the attention of the chairman and chief executive officer; or (ii) are inappropriate to be brought to the attention of the chairman and chief executive officer of that company.

Li Shengxiao (李生校), aged 47, has been appointed as our independent non-executive Director since 11 May 2007. He has been a professor in Shaoxing Arts and Science College since November 2004 and is currently the dean of school of economics and management in Shaoxing Arts and Science College. Mr. Li has been the instructor of establishment of Zhejiang province small and medium enterprises in Zhejiang Province Small and Medium Enterprises Bureau (浙江省中小企業局) since October 2006. Mr. Li has been an independent non-executive director of Zhejiang Jingong Technology (浙江精工科技), a company listed on the Shenzhen Stock Exchange since August 2006. Save as disclosed above, Mr. Li did not hold any directorship with any other listed company in Hong Kong or elsewhere during the Track Record Period.

Mr. Li graduated from Hangzhou University (杭州大學) (which is currently known as Zhejiang University currently (浙江大學)) in July 1987 with a graduation certificate in politics. He then obtained a master's degree in law from Hangzhou University in July 1990. He was awarded Zhejiang province high school outstanding youth teacher in September 1991.

Ong Wei Jin (王為仁), aged 43, has been appointed as our independent non-executive Director since 11 May 2007. He is a partner of Colin Ng & Partners, a firm of advocates and solicitors established in 1988 in Singapore. With his principle areas of practice in corporate finance and general corporate law, he also advises on securities regulatory and compliance issues for investment advisory and brokerage activities. He is an independent director of Luzhou Bio-chem Technology Limited and NTI International Limited companies listed on the SGX-ST. Save as disclosed above, Mr. Ong did not hold any directorship with any other listed company in Hong Kong or elsewhere during the Track Record Period.

Mr. Ong obtained a bachelor of laws from the National University of Singapore in 1990, a master of business administration from University of Hull in 1993, and a master of laws from the National University of Singapore in 1995. He was admitted as advocate and solicitor of the Supreme Court of Singapore in 1995.

SENIOR MANAGEMENT

<u>Name</u>	<u>Age</u>	<u>Group Position</u>
Ru Zhengtao . . .	53	Deputy general manager in charge of production department
Li Yushun	49	Deputy general manager in charge of research & development department
Wang Nairen . . .	46	Deputy general manager in charge of sales & purchasing department
Zhang Qingjin . .	43	Deputy general manager in charge of human resource department

Ru Zhengtao (茹正濤), aged 53, is the deputy general manager in charge of production department of Henan XLX Fertiliser. Mr. Ru has more than 30 years' experience in chemical fertiliser industry. He started his career with Xinxiang Factory in 1974 and held various positions

DIRECTORS, SENIOR MANAGEMENT AND STAFF

including assistant to head of Xinxiang Factory, deputy head of Xinxiang Factory and head of nitrogen fertiliser plant of Xinxiang Factory. He was the deputy general manager of XLX Chem from July 2003 to July 2006. He has been the deputy general manager of Henan XLX Fertiliser since 31 July 2006.

Mr. Ru graduated from Zhengzhou Engineering College (鄭州工學院) with a tertiary certificate in March 1993. He was awarded the “Technological Reformation Results Third Prize for Reforming Urea Granule-making Nozzle to Produce Large Urea Granules” (“改造尿素造粒噴頭生產大顆粒尿素”技術革新成果三等獎) by Xinxiang Trade Union (新鄉市總工會), Xinxiang Science and Technology Committee (新鄉市科學技術委員會), Xinxiang Economic Committee (新鄉市經濟委員會) and Xinxiang Finance Bureau (新鄉市財政局) in February 1999.

Li Yushun (李玉順), aged 49, is the deputy general manager in charge of the R&D department of Henan XLX Fertiliser. Mr. Li has more than 20 years of experience in the chemical fertiliser industry. He joined Xinxiang Factory in August 1982 and was appointed as the deputy factory head of Xinxiang Factory in 1993. Mr. Li was the deputy general manager in charge of research and development department of XLX Chem from August 2003 to July 2006. He has been the deputy general manager of Henan XLX Fertiliser since 31 July 2006.

Mr. Li graduated from Zhengzhou Engineering College in July 1982 with a major in chemical technology. In 2004, he was awarded the First in Second Prize for Introducing and Second Development of Large-scale Mellow Alkylation Technology (大型醇化工藝引進與二次開發等級二等獎第一名), First in Third Prize for Introducing and Second Development of Large-scale PSA Decarbonization (大型變壓吸附 (PSA) 脫碳引進與二次開發等級三等獎第一名) and First in Third Prize for Adopting the Improved Water Solution Full Circulation Method Urea Technology to Expand Production and Reduce Wastage (採用改良水溶液全循環法尿素新工藝尿素擴產降耗改造等級三等獎第一名) by the People’s Government of Xinxiang (新鄉市人民政府). In November 2006, he was awarded the Second Prize in General Treatment and Environmental Protection Project for Zero Discharge of Waste water Produced in the Production of Nitrogen Fertiliser (氮肥生產污水零排放總和治理環保工程) by China Nitrogen Fertiliser Industry Association.

Wang Nairen (王乃仁), aged 46, is the deputy general manager in charge of the sales and purchasing department of Henan XLX Fertiliser. He has more than 20 years of experience in chemical fertiliser industry. He held various positions in Xinxiang Factory, including the office head of nitrogen fertiliser plant of Xinxiang Factory from March 1993 and the deputy head and assistant to head of Xinxiang Factory. Mr. Wang was the deputy general manager of sales and marketing department of XLX Chem from August 2003 to July 2006. He has been the deputy general manager of Henan XLX Fertiliser since 31 July 2006. Mr. Wang obtained a certificate of completion in master’s course of business administration from Tianjin Finance College (天津財經學院) in June 2002.

Zhang Qingjin (張慶金), aged 43, is the deputy general manager in charge of human resource department of Henan XLX Fertiliser since November 2006. He has over 20 years of experience in chemical fertiliser industry. Mr. Zhang joined Xinxiang Factory in July 1987 and held various positions, including unit head of equipment and facility department, unit head of production and technical unit and section head of equipment and facility upgrade and the department head of technical upgrade in Xinxiang Factory. He was appointed as the manager of the technical centre of XLX Chem from August 2003 to July 2006. Mr. Zhang was the manager of the technical centre of Henan XLX Fertiliser from July 2006 to November 2006. Mr. Zhang graduated from Zhengzhou Engineering College in July 1987 with a diploma in chemical

DIRECTORS, SENIOR MANAGEMENT AND STAFF

equipment. He has completed chemical technology and instrument program from Zhengzhou University (鄭州大學) in July 2003 and modern project management for enterprise CEO program from Tsinghua University (清華大學) in 2004.

Mr. Zhang was awarded the Third in Second Prize for Introducing and Second Development of Large-scale Mellow Alkylation Technology (大型醇化工藝引進與二次開發等級二等獎第三名), Fourth in Third Prize for Introducing and Second Development of Large-scale PSA Decarburization and Fourth in Third Prize for Adopting the Improved Water Solution Full Circulation Method Urea Technology to Expand Production and Reduce Wastage (採用改良水溶液全循環法尿素新工藝尿素擴產降耗改造等級三等獎第四名) by the People's Government of Xinxiang in 2004.

JOINT COMPANY SECRETARIES

Cheah Soon Ann Jeremy, aged 34, has been our financial controller and one of the joint company secretaries since January 2007. Mr. Cheah has over 10 years of experience in finance management. Prior to joining us, he was employed as an assistant manager of finance department in mDR Limited, responsible for cash reporting and implementation of systems, applications and products in data processing (SAP) from August 2004 to November 2006, and was a senior officer of audit department in the Agency for Science, Technology and Research (A*STAR) in 2001 and as an audit assistant in Foo, Kon & Tan Grant Thornton in 1999.

Mr. Cheah was awarded as a chartered financial analyst by the Association for Investment Management and Research in September 2002 and has been a member of the Institution of Certified Public Accountants of Singapore since November 2002. Mr. Cheah graduated from the Nanyang Technological University in 1999 with a bachelor's degree in accountancy and from the University of Adelaide in 2008 with a master's degree in business administration.

Foo Soon Soo, aged 50, has been our joint company secretary since May 2007. Ms. Foo is also acting as the company secretary for various companies in Singapore, including Thomson Medical Centre Limited, Lee Metal Group Ltd, Colex Holdings Limited, AEI Corporation Ltd. and Bonvests Holdings Limited, Kim Eng Holdings Limited, Superbowl Holdings Limited, Vashion Group Ltd., Amara Holdings Limited, Multistar Holdings Limited, Gallant Venture Ltd., Addvalue Technologies Ltd., Sky One Holdings Limited, RSH Limited, Asiamedic Limited, Cortina Holdings Limited, Lereno Bio-Chem Ltd., China Bearing (Singapore) Ltd., Roxy-Pacific Holdings Limited, Pteris Global Limited, Jasper Investment Limited, Rotol Singapore Ltd. and Zingmobile Group Limited. Ms. Foo graduated from the National University of Singapore with a bachelor's degree in accountancy in May 1980 and University of London with a bachelor's degree of laws in August 1989. She was admitted fellow in April 1991 by the Institute of Chartered Secretaries and Administrators, London. In August 2004, she was admitted as fellow (FCPA) by the Institute of Certified Public Accountants of Singapore.

Wong Wai Han (黃慧嫻), aged 33, has been appointed as one of our joint company secretaries since 12 November 2009. Ms. Wong has been an associate in Li & Partners, our Hong Kong legal advisers, since September 2006. She has experience in corporate finance and compliances matters for the listed companies in Hong Kong. Ms. Wong obtained a bachelor of laws from City University of Hong Kong in 1998 and obtained the bachelor of laws in China from Tsinghua University in 2004. She was admitted as solicitor of the High Court of Hong Kong in 2001.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

RULE 8.12 OF THE LISTING RULES

Rule 8.12 of the Listing Rules requires that a new applicant applying for a primary listing on the Stock Exchange must have a sufficient management presence in Hong Kong. This normally means that at least two of its executive directors must be ordinarily residents in Hong Kong. Since principal business operations and manufacturing facilities of our Group are primarily located in China, the senior management members of the Group are and will therefore continue to be based in China. At present, none of our executive Directors are Hong Kong residents or based in Hong Kong. The Company has applied to the Stock Exchange for a waiver from the strict compliance with the requirement under Rule 8.12 of the Listing Rules.

We have received from the Stock Exchange a waiver from compliance with Rule 8.12 of the Listing Rules subject to the following conditions:

- (a) we have appointed and will continue to maintain two authorised representatives pursuant to Rule 3.05 of the Listing Rules who will act as our principal communication channel with the Stock Exchange and will ensure that they comply with the Listing Rules at all times. We have appointed Ms. Wong Wai Han (“Ms. Wong”), one of our joint company secretaries, who is ordinarily resident in Hong Kong, and Ms. Yan as our two authorised representatives. Each of our authorised representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable period of time upon request and will be readily contactable by telephone, facsimile or e-mail. Each of our two authorised representatives has been duly authorised to communicate on our behalf with the Stock Exchange;
- (b) we have appointed a compliance adviser pursuant to Rule 3A.19 of the Listing Rules who will also act as our communication channel with the Stock Exchange. We have appointed First Shanghai Capital Limited as our compliance adviser;
- (c) both our authorised representatives have means to contact all members of the Board (including the independent non-executive Directors) promptly at all times as and when the Stock Exchange may wish to contact the members of the Board for any matters. We will implement a policy whereby (i) each Director will provide his or her mobile phone number, residential phone number, fax number and e-mail address to the authorised representatives; (ii) each executive Director will provide valid phone numbers or other means of communication to the authorised representatives before he or she is travelling outside the PRC; and (iii) each executive Director will provide his or her mobile phone number, office phone number, fax number and e-mail address to the Stock Exchange;
- (d) any meetings to be held as between the Stock Exchange and us could be arranged through our authorised representatives or compliance adviser, or directly with our Directors by a reasonable prior notice. We will inform the Stock Exchange promptly in the event of any change of our authorised representatives or compliance adviser in accordance with the Listing Rules; and
- (e) all executive Directors and independent non-executive Directors who are not ordinarily resident in Hong Kong have confirmed that they are holders of valid travel documents which allow them to visit Hong Kong and will be able to meet with the officers of the Stock Exchange within a reasonable period of time upon request.

RULE 8.17 OF THE LISTING RULES

Under Rule 8.17 of the Listing Rules, the company secretary of the issuer must be a person who is ordinarily resident in Hong Kong and has the requisite knowledge and experience to discharge the functions of the secretary of the issuer and who:

- (a) is an ordinary member of The Hong Kong Institute of Chartered Secretaries, a solicitor or barrister as defined in the Legal Practitioners Ordinance or a professional accountant as required under Rule 8.17(2) of the Listing Rules; or
- (b) is an individual who, by virtue of his academic or professional qualifications or relevant experience, is, in the opinion of the Hong Kong Stock Exchange, capable of discharging those functions as required under Rule 8.17(3) of the Listing Rules.

Our joint company secretaries, Mr. Cheah Soon Ann Jeremy (“**Mr. Cheah**”) and Ms. Foo Soon Soo (“**Ms. Foo**”) are ordinarily resident in Singapore and do not possess the qualification required under Rule 8.17(2) of the Listing Rules, and hence both Mr. Cheah and Ms. Foo do not meet the requirements under Rule 8.17(2) of the Listing Rules.

Having considered the rationale of Rule 8.17 of the Listing Rules, we acknowledge the importance of having a company secretary residing in Hong Kong and the qualification of the company secretary. Our Directors are of the view that Mr. Cheah and Ms. Foo are jointly suitable persons to act as company secretaries with their respective qualifications and experience. In view of this, we have put in place the following arrangements:

- (a) The Company has appointed Ms. Wong as a joint company secretary and one of the authorised representatives of the Company, who is ordinarily resident in Hong Kong and was admitted as solicitor of Hong Kong High Court in October 2001. Ms. Wong meets the requirements under 8.17 of the Listing Rules to assist Mr. Cheah and Ms. Foo so as to enable them to acquire the relevant experience in order to discharge the duties of a company secretary;
- (b) we will engage Li & Partners, the Company’s legal advisers on Hong Kong laws, to provide assistance to Mr. Cheah and Ms. Foo to discharge their duties and obligations as a company secretary. Li & Partners is a registered law firm in Hong Kong and will be engaged as our legal advisers on Hong Kong laws for a minimum period of three years commencing from the Listing Date;
- (c) Mr. Cheah and Ms. Foo will take external training courses provided by the Law Society of Hong Kong or any other professional bodies in order to acquire and understand the updated requirements and developments of the Listing Rules. Furthermore, Li & Partners will periodically provide a series of training courses to Mr. Cheah and Ms. Foo for any update of the Listing Rules as well as other relevant laws and regulations for a minimum period of three years; and
- (d) Upon the expiry of such three-year period as stated in paragraphs (a) to (c) above, we will evaluate the respective knowledge and experience of Mr. Cheah and Ms. Foo in order to determine whether the requirements as stipulated in Rule 8.17 of the Listing Rules can be satisfied.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Each of Mr. Cheah, Ms. Foo and Ms. Wong has provided valid phone numbers and email addresses to the Stock Exchange and will inform the Stock Exchange promptly in the event of any change of means of communications. Furthermore, in order to ensure effective communication between our company secretaries and the Stock Exchange, we have appointed Ms. Yan and Ms. Wong as our authorised representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our principal communication channel with the Stock Exchange. Each of the authorised representatives will be available to meet with the Stock Exchange within a reasonable time frame upon request by the Stock Exchange and will be readily contactable by telephone or facsimile or email. We have also appointed First Shanghai Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules, who will act as our principal communication channel with the Stock Exchange, in addition to our authorised representatives. The contact persons of our compliance adviser have provided their contact details to the Stock Exchange and will also be fully available to answer queries from the Stock Exchange.

We applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the requirements under Rule 8.17 of the Listing Rules.

DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

Our executive Directors will receive salaries and benefits in kind relating to our performance. Our remuneration committee will regularly review and determine the remuneration and benefits in kind with reference to their respective duties, qualifications, experience and performance. Furthermore, our executive Directors will receive an annual incentive bonus on an annual basis (“**Incentive Bonus**”) according to the formula as set out below. If our executive Directors' employment with the Company is less than a full financial year, the Incentive Bonus for that financial year shall be apportioned in respect of the actual number of days for their respective employment on the basis of a 365-day financial year. Mr. Liu will be entitled to 40% of the aggregate Incentive Bonus per financial year, while each of Ms. Yan and Mr. Li Buwen will be entitled to 30% of the aggregate Incentive Bonus per financial year respectively. “PBT” for the purposes of computing the Incentive Bonus means the consolidated audited profit before tax of our Group (before the Incentive Bonus and minority interests) for any financial year. The respective entitlement of our executive Directors to the Incentive Bonus will be: (i) if PBT is less than RMB150 million, no Incentive Bonus will be paid to Mr. Liu, Ms. Yan and Mr. Li Buwen; or (ii) 2% of PBT in excess of RMB150 million (inclusive) up to RMB200 million (exclusive); or (iii) 2.5% of PBT in excess of RMB200 million (inclusive) up to RMB250 million (exclusive); or (iv) 3.0% of PBT in excess of RMB250 million (inclusive).

The aggregate amounts of compensation (including fees, salaries, contributions to pensions schemes, housing allowances and other allowances and benefits in kind and discretionary bonuses) which were paid to our Directors in 2006, 2007 and 2008 were approximately RMB0.9 million, RMB8.8 million and RMB8.4 million respectively. The total estimated Directors' remuneration for the year ending 31 December 2009 is approximately RMB3 million, excluding any Incentive Bonus.

The aggregate amount of salaries and other allowances and benefits in kind paid to our Group's five highest paid individuals in 2006, 2007 and 2008 was approximately RMB1.3 million, RMB9.1 million and RMB8.8 million, respectively.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

STAFF

As at 31 December 2008, our Group had a total of 2,961 full-time employees. As at 31 July 2009, our Group had a total of 3,258 full-time employees. The following table shows a breakdown of employees of our Group by their functions as at that date:

	<u>No. of employees</u>
Sales and purchasing	216
Production	2,509
Research and development	91
Administration and quality assurance	430
Human resource and internal audit	<u>12</u>
	<u>3,258</u>

THE GROUP'S RELATIONSHIP WITH STAFF

Our Group recognises the importance of having a good relationship with its employees. The remuneration payable to the employees includes salaries and allowances.

Our Group has not experienced any significant problems with its employees or disruption to its operations due to labour disputes, nor has it experienced any difficulties in the recruitment and retention of experienced staff. Our Directors believe that our Group has a good working relationship with its employees.

SOCIAL INSURANCES AND HOUSING FUNDS

For the year ended 31 December of 2006, 2007 and 2008, our Group made contributions to pension funds, medical insurance, unemployment insurance, work-related injury insurance (collectively, "**Social Insurance Funds**") for our employees in China. These contributions, which were funded from internal financial resources of our Group, are in compliance with the requirements of the relevant labour bureau and the relevant local governments in Xinxiang County, China. We have obtained confirmations from the relevant labour bureau that the relevant members of our Group have made all requisite Social Insurance Funds prior to the issuance of the confirmations and, as at the date of the relevant confirmation, had no outstanding liabilities.

As required by the Housing Funds Administration Centre of Xinxiang City, our Group has contributed to the housing provident funds for our employees since 1 January 2009. We have obtained the confirmations from the Housing Administration Centre of Xinxiang City that, our Group had paid all requisite housing provident funds, and had no outstanding liabilities, as at the date of such confirmations. Our PRC legal advisers, Haihua Yongtai Law Firm, confirmed that the Housing Funds Administration Centre of Xinxiang City is in charge of the administration and operation of the housing provident funds in the administrative region of county level, and accordingly our contribution to the housing provident funds administered by the Housing Funds Administration Centre of Xinxiang City since 1 January 2009 is in compliance with the applicable laws and regulations in the PRC and the Housing Funds Administration Centre of Xinxiang City has the authority to issue the confirmations to our Group.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Our Group's contributions to the various Social Insurance Funds during the Track Record Period amounted to approximately RMB4.0 million, RMB5.6 million, RMB8.3 million and RMB8.0 million, respectively.

STAFF REMUNERATION

Our Group determines our staff's remuneration based on factors such as qualifications and years of experience. During the Track Record Period, the staff costs of our Group (including Directors' and senior management's emoluments) were approximately RMB41.5 million, RMB77.9 million, RMB79.1 million and RMB53.7 million, respectively.

CORPORATE GOVERNANCE

We recognise the importance of corporate governance and importance of offering high standards of accountability to our Shareholders, and therefore have implemented the corporate governance model by setting up the Audit Committee, Remuneration Committee and Nomination Committee to enhance the long-term shareholder value.

Audit Committee

We have established an audit committee. At present, our audit committee consists of three members, namely Mr. Ong Kian Guan, Mr. Li Shengxiao and Mr. Ong Wei Jin. The audit committee is chaired by Mr. Ong Kian Guan.

The primary duties of the audit committee are mainly to review our material investment, capital operation and material financial system; to review our accounting policy, financial position and financial reporting procedures; to communicate with our external audit firms; to assess the performance of internal financial and audit personnel; to assess the internal control; and to report its findings to our Board.

Remuneration Committee

We have established a remuneration committee. At present, our remuneration committee consists of three members, namely Mr. Ong Wei Jin, Mr. Ong Kian Guan and Mr. Li Shengxiao. The remuneration committee is chaired by Mr. Ong Wei Jin.

The primary duties of the remuneration committee are mainly to review and determine the terms of remuneration packages, bonuses and other compensation payable to the Directors and other senior management.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Our remuneration committee is also responsible for the following:

- (a) in case of service contracts, to consider what compensation commitments the Directors' or executive officers' contracts of service, if any, would entail in the event of early termination with a view to be fair and avoid rewarding poor performance; and
- (b) in respect of such long-term incentive schemes (if any) including share schemes as may be implemented, to consider whether Directors should be eligible for benefits under such long-term incentive schemes.

Nomination Committee

We have established a nomination committee. At present, the nomination committee of the Company consists of three members, namely Mr. Li Shengxiao, Mr. Ong Wei Jin and Mr. Liu Xingxu. The nomination committee is chaired by Mr. Li Shengxiao.

The primary duties of the nomination committee are mainly to make recommendations to the Board on all board appointments, including re-nominations, having regard to the director's contribution and performance including, if applicable, as an independent non-executive Director, to determine annually whether or not a director is independent, to decide whether or not such director is able to and has been adequately carrying out his duties as director, to decide how the Board's performance may be evaluated and propose objective performance criteria.

COMPLIANCE ADVISER

We have appointed First Shanghai Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise us on the following matters:

1. the publication of any regulatory announcement, circular or financial report;
2. where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases; and
3. where the Stock Exchange makes an inquiry on us regarding unusual movements in the price or trading volume of the Shares.

The term of the appointment shall commence on the Listing Date and end on the date on which we distribute our annual report in respect of our financial results for the first full financial year commencing after the Listing Date.