

DIRECTORS

Executive Directors

CHIM, Wai Kong (粘為江), aged 54, is the chairman of the Group and an executive Director. Mr. Chim is principally responsible for the strategic development of the Group's operation. Mr. Chim has over 11 years of experience in non-woven fabrics industry. Mr. Chim established Xinhua Company in 1999 and served as chairman. Prior to this, he worked in Hua Xin Weaving as a member of senior management from 1995 to 2009. In 2001 and 2006, Mr. Chim was appointed as member of the 9th Committee in Quanzhou, Fujian Province of the Chinese People's Political Consultative Conference ("CPPCC") (中國人民政治協商會議福建省泉州市第九屆委員會委員) and member of the 10th Committee in Quanzhou, Fujian Province of the CPPCC (中國人民政治協商會議福建省泉州市第十屆委員會委員) respectively. In 2004, Mr. Chim was elected as Vice President of the 7th Executive Committee of General Chamber of Commerce in Jin Jiang (晉江市總商會第七屆理事會副會長), member of the 1st Executive Committee of Good Faith Council in Fujian Province (福建省誠信促進會第一屆理事會理事) and Vice President of the 8th Executive Committee of Jin Jiang Federation of Industry and Commerce (General Chamber of Commerce) (晉江市工商聯(總商會)第八屆理事會副會長). In March 2007, Mr. Chim was appointed as Supervisor of Party Conduct and Honesty in Jin Jiang (晉江市黨風廉政監督員) by Jin Jiang People's Government of Jin Jiang Committee under Communist Party of China (中共晉江市委員會晉江市人民政府) for a period of five years. In 2007, Mr. Chim was appointed as member of the 10th Committee in Fujian Province of the CPPCC (中國人民政治協商會議第十屆福建省委員會委員) and Honourary President of the 2nd Executive Committee of Jin Jiang Charity Federation (晉江市慈善總會第二屆理事會榮譽會長). Mr. Chim did not hold any directorship in any listed companies during the Track Record Period. Mr. Chim was appointed as a Director on 23 September 2009. Mr. Chim is the elder brother of Chim Wai Shing Jackson, Chim Fo Che and Hong Ming Qu. Save as disclosed above, there is no other information which is required to be disclosed pursuant to any of the requirements under Rules 13.51(2)(a) to 13.51(2)(v) of the Listing Rules nor are there any matters which need to be brought to the attention of the Shareholders in connection with Mr. Chim's appointment as an executive Director.

CHIM, Wai Shing Jackson (粘偉誠), formerly known as Nian, Wei Fu (粘為富), aged 36, is the chief executive officer of the Group and an executive Director. Mr. Chim is principally responsible for the management and formulation of the operation strategy of the Group. Mr. Chim has 11 years of experience in the non-woven fabrics industry. Mr. Chim was awarded as senior engineer by Fujian Providence Personnel Department (福建省人事廳) in 2006. Mr. Chim has served as a director of Xinhua Company since 1999. In April 2001, Mr. Chim was elected as Chairman of the first Executive Committee of the Jin Jiang Overseas Friendship Association (晉江市海外聯誼會第一屆理事). In January 2003, Mr. Chim was appointed as Vice Chairman of the 1st Executive Committee of Quanzhou International Chamber of Commerce (泉州國際商會第一屆理事會副會長). In March 2007, Mr. Chim was appointed as Vice Chairman of the 6th Committee of Science and Technology Association in Long Hu Town (龍湖鎮科學技術協會第六屆委員會副主席). In May 2008, Mr. Chim was appointed as the first Honourary Dean of Strait Brand Economic Development Research Institute in Fujian Province (福建省海峽品牌經濟發展研究院首屆榮譽院長). Moreover, Mr. Chim is awarded as top 10 leading persons in China non-woven fabrics industry in 2009 (2009中國非織造布行業管理十大領軍人物) and the special contribution prize to China Management Science (中國管理科學成就特別貢獻獎) in 2009. Mr. Chim is the visiting professor of School of Textiles of Tianjin Polytechnic University and vice president of World Eminence Chinese Business Association (世界傑出華商協會), Mr. Chim graduated

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with a master degree in management from Xiamen University (廈門大學) in 2005. Mr. Chim did not hold any directorship in any listed companies during the Track Record Period. Mr. Chim was appointed as a Director on 26 August 2009. Mr. Chim is the younger brother of Chim Wai Kong and Chim Fo Che, and the elder brother of Hong Ming Qu. Save as disclosed above, there is no other information which is required to be disclosed pursuant to any of the requirements under Rules 13.51(2)(a) to 13.51(2)(v) of the Listing Rules nor are there any matters which need to be brought to the attention of the Shareholders in connection with Mr. Chim's appointment as an executive Director.

CHIM, Fo Che (粘火車), formerly known as Nian, Wei Che (粘為車), aged 51, is an executive Director. Mr. Chim is principally responsible for the administration and business development of the Group. Mr. Chim has 11 years of experience in the non-woven fabrics industry. Mr. Chim joined Hua Xin Plastic as legal representative, chairman and general manager from December 2007 to present. From June 1999 till present, he served as director in Xinhua Company. Prior to this, he was appointed as vice general manager in Hua Xin Weaving from 1994 to 2007. Mr. Chim graduated with a bachelor degree in engineering from Xiamen University (廈門大學) in 2000. Mr. Chim did not hold any directorship in any listed companies during the Track Record Period. Mr. Chim was appointed as a Director on 23 September 2009. Mr. Chim is the younger brother of Chim Wai Kong and the elder brother of Chim Wai Shing Jackson and Hong Ming Qu. Save as disclosed above, there is no other information which is required to be disclosed pursuant to any of the requirements under Rules 13.51(2)(a) to 13.51(2)(v) of the Listing Rules nor are there any matters which need to be brought to the attention of the Shareholders in connection with Mr. Chim's appointment as an executive Director.

HONG, Ming Qu (洪明取), aged 31, is an executive Director. Mr. Hong is principally responsible for research and development, marketing, quality control and production management of the Group. Mr. Hong has over 7 years of experience in non-woven fabrics industry. Since November 2007, Mr. Hong works as vice chairman in Xinhua Company. From August 2002 to October 2007, he served as general manager in Hua Xin Weaving. Mr. Hong graduated with a bachelor degree majoring in civil engineering from Xiamen University (廈門大學) in 2002. In May 2008, Mr. Hong completed the China Nonwovens Training Course 2008 jointly organised by CNITA and Association of the Nonwoven Fabrics Industry of the US. Mr. Hong did not hold any directorship in any listed companies during the Track Record Period. Mr. Hong was appointed as a Director on 23 September 2009. Mr. Hong is the younger brother of Chim Wai Kong, Chim Wai Shing Jackson and Chim Fo Che. Save as disclosed above, there is no other information which is required to be disclosed pursuant to any of the requirements under Rules 13.51(2)(a) to 13.51(2)(v) of the Listing Rules nor are there any matters which need to be brought to the attention of the Shareholders in connection with Mr. Hong's appointment as an executive Director.

Non-executive Director

WEE, Kok Keng, aged 38, was appointed as a non-executive Director on 5 February 2010. Ms. Wee has over 15 years experience in accounting, finance and business management and held senior positions in various multinational companies. Ms. Wee graduated from the University of Adelaide with a bachelor of commerce in 1994. She was advanced to the status of Certified Practising Accountant of CPA Australia in 2000. Ms. Wee serves as independent investment director in Jin Shu Investment Limited from January 2007 till present. Prior to this appointment, she worked in Tele-Atlas Asia-Pacific Pte. Ltd as vice president, finance, Asia Pacific from July 2006 to December 2006 mainly responsible for finance related matters and some administrative and managerial responsibilities. From December 2003 to June 2006, Ms. Wee worked in Ventures Trust Pte Ltd as managing director fully responsible

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for the origination, implementation and execution of corporate finance works. From November 2000 to October 2003, she worked in Mitsubishi Securities (Singapore), holding the position of vice president from January 2003 onwards mainly responsible for the promotion and marketing of corporate advisory services and the execution and documentation of corporate advisory transactions. From July 1996 to November 2000, she worked in Maybank Investment Bank Berhad (previously known as Aseambankers Malaysia Berhad) as assistant manager in Corporate Finance Department with a portfolio that included fund raising, initial public listing, restructuring, reverse take-over, backdoor listing, acquisitions and dispositions of businesses and assets, etc.. From January 1994 to January 1996, Ms. Wee was an auditor in Arthur Andersen & Co.. Ms. Wee did not hold any directorship in any listed companies during the Track Record Period. Save as disclosed above, there is no other information which is required to be disclosed pursuant to any of the requirements under Rules 13.51(2)(a) to 13.51(2)(v) of the Listing Rules nor are there any matters which need to be brought to the attention of the Shareholders in connection with Ms. Wee's appointment as a non-executive Director.

Independent non-executive Directors

ZHU, Min Ru (朱民儒), aged 61, was appointed as an independent non-executive Director on 4 February 2010. Mr. Zhu has over 27 years of experience in textile industry. Mr. Zhu completed the professional course in textile chemical engineering with Tianjin Industrial College of Textile (later renamed as Tianjin Polytechnic University) in January 1982 and was granted a bachelor degree in textile chemical engineering by the same college in December 1982. Mr. Zhu has been the president of CNITA since its establishment in 2001. In December 2003, Mr. Zhu obtained the professional qualification of senior engineer with remuneration of the professor grade (享受教授級待遇的高級工程師) by State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會). In August 2008, Mr. Zhu completed a training course for senior management of listed company organised by the Shenzhen Stock Exchange. Mr. Zhu was appointed a member of the editorial board of the annual China Textile Industry Development Report (中國紡織工業發展報告) from 2002–2009. Mr. Zhu acted as an independent director of Ningbo YAK Technology Industrial Company Limited (寧波宜科科技實業股份有限公司), a company listed on Shenzhen Stock Exchange (stock code: 002036) from July 2007 till present, during the Track Record Period. CNITA is not an approving authority empowered to grant any operational licence or permit to enterprises engaged in non-woven fabrics industry in the PRC. According to the website of CNITA, it is the only national association in non-woven and industrial textiles industry in China registered and confirmed by the Ministry of Civil Affairs of the PRC to provide industry training, exhibitions and provision of industry information to its members. Enterprises applying for and approved by the General Affairs Committee (理事會) of CNITA will become members of CNITA. Only resolutions passed by two-thirds of the members of the General Affairs Committee of CNITA are valid. In addition, the notifications and the constitutional documents of CNITA will apply to all its members. As the president of CNITA, Mr. Zhu's main duties are to convene meetings of the committees of CNITA and sign legal documents on its behalf. The Directors confirmed that there will be no circumstances giving rise to potential or actual conflict of interest in respect of Mr. Zhu's appointment as an independent non-executive Director and the president of CNITA. In addition, Mr. Zhu has no influence on the selection of Xinhua Company to compile the industry guidelines and the recommendation of any enterprise for the government grants and supports by CNITA is based on the results of assessment by an expert group recognised by relevant government authorities on the application made by the enterprise itself carried out. Since CNITA is not financially dependent on the Group and Mr. Zhu is not financially dependent on CNITA and the Group, the Directors are of the view that Xinhua Company, together with CNITA and other enterprises, being approved to compile the

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industry guidelines does not affect Mr. Zhu's independence under rule 3.13 of the Listing Rules. Save as disclosed above, there is no other information which is required to be disclosed pursuant to any of the requirements under Rules 13.51(2)(a) to 13.51(2)(v) of the Listing Rules nor are there any matters which need to be brought to the attention of the Shareholders in connection with Mr. Zhu's appointment as an independent non-executive Director.

FENG, Xue Ben (馮學本), aged 58, was appointed as an independent non-executive Director on 4 February 2010. Mr. Feng has over 24 years of experience in textile industry. He is currently the chief engineer in Wuxi Jiayuan Nonwovens Technology Research Institute (無錫嘉元非織造技術研究所). From 1985 to 2002, Mr. Feng worked in Wuxi Textile Machinery Research Institute (無錫紡織機械研究所). From December 2007 onwards, for a period of two years, Mr. Feng served as deputy director of the first session of Non-woven Fabrics Machinery Professional Committee under China Textile Machinery and Equipment Industrial Association (中國紡織機械器材工業協會非織造布機械專業委員會). Mr. Feng is the chief editor of the professional textbook titled "Pine Non-woven Fabrics Technology and Quality Control" (《針刺非織造布工藝技術與產品控制》) and a wealth of articles in chemical fibres, non-woven fabrics and non-woven industrial facilities. In January 2006, Mr. Feng completed a training course for independent director of listed company organised by the Shanghai Stock Exchange. Mr. Feng acted as an independent director of Fujian Nanfang Co., Ltd (福建南紡股份有限公司), a company listed on Shanghai Stock Exchange (stock code: 600483) for six years from June 2002 to May 2008, during the Track Record Period. The Group has no and currently does not have any transactions or relationship with the above institutes, associations and companies where Mr. Feng served or is now serving. Save as disclosed above, there is no other information which is required to be disclosed pursuant to any of the requirements under Rules 13.51(2)(a) to 13.51(2)(v) of the Listing Rules nor are there any matters which need to be brought to the attention of the Shareholders in connection with Mr. Feng's appointment as an independent non-executive Director.

WONG, Siu Hong (黃兆康), aged 41, was appointed as an independent non-executive Director on 4 February 2010. Mr. Wong has 14 years of experience in auditing, accounting and finance. Mr. Wong graduated from Deakin University in Australia with a bachelor of commerce double majoring in accounting and commercial law in 1994. Mr. Wong has been a certified practising accountant of CPA Australia since 1998 and an associate of Hong Kong Institute of Certified Public Accountants (formerly known as Hong Kong Society of Accountants) since 1999. Before joining the Group, Mr. Wong worked as staff accountant and later a manager in Ernst and Young from December 1996 to February 2002. Mr. Wong is now the chief financial officer and company secretary of Heng Tai Consumables Group Limited, a company listed on the Stock Exchange (stock code: 197). Mr. Wong has been appointed as an independent non-executive director of Huafeng Textile International Group Limited, a company listed on the Stock Exchange (stock code: 364) since September 2004. Save as disclosed above, there is no other information which is required to be disclosed pursuant to any of the requirements under Rules 13.51(2)(a) to 13.51(2)(v) of the Listing Rules nor are there any matters which need to be brought to the attention of the Shareholders in connection with Mr. Wong's appointment as an independent non-executive Director.

SENIOR MANAGEMENT

CHAN, Kwok Yuen Elvis (陳國源), aged 37, is the chief financial officer and company secretary of the Company and is responsible for the accounting, financial and secretarial matters of the Group. Mr. Chan has over 13 years of experience in the field of accounting and finance. Prior to joining the

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Group, Mr. Chan served as the chief financial officer and company secretary of Kiu Hung Energy Holdings Limited, a company listed on the main board of the Stock Exchange (stock code: 381), for over 9 years. Mr. Chan is a fellow of the Hong Kong Institute of Certified Public Accountants, a fellow of the Association of Chartered Certified Accountants, an associate of the Institute of Chartered Accountants in England and Wales, a Chartered Financial Analyst of the CFA Institute, a member of the Hong Kong Society of Financial Analysts and an associate member of the Society of Technical Analysts of the United Kingdom. Mr. Chan obtained a bachelor degree in commerce from Queen's University of Canada in 1995.

HONG, Lian Qiao (洪連橋), aged 42, is the deputy chief executive officer of Xinhua Company mainly responsible for merchandising and cost control of all raw materials and other equipments and maintenance of relationship with suppliers. Mr. Hong has over 24 years of experience in sales and marketing. From August 1985 to October 1990, Mr. Hong served as manager responsible for the sales business of Yilida Penji Aomian Co., Ltd. JinJiang (晉江市億利達噴膠棉有限公司). From October 1991 to July 1995, Mr. Hong was employed by Kwan Lee Da Hesne-bonded Fabric Co., Ltd. Jinjiang (晉江市均利無紡制品有限公司) responsible for over all import and export business. From August 1996 to May 2000, Mr. Hong was deputy general manager responsible for the operations of Xiamen Yongshunda International Logistics Co., Ltd. (廈門永順達國際物流有限公司). Mr. Hong joined the Xinhua Company in 2006. Mr. Hong is a brother-in-law of Chim Wai Kong, Chim Wai Shing Jackson, Chim Fo Che and Hong Ming Qu.

CHEN, Min Tsung (陳敏聰), aged 51, is the assistant chief executive officer of Xinhua Company mainly responsible for overseeing the daily operations of the production centre and ensuring the implementation of company policies. Mr. Chen graduated from Lingdong School of Commerce in Taiwan (嶺東商業專科學校) in 1977. Mr. Chen joined Xin Hua Import in 2006 as the general manager until March 2007 when he joined the Xinhua Company.

ZHAI, Hong Bing (翟紅兵), aged 43, is the administrative director of Xinhua Company mainly responsible for overseeing the administrative matters. Ms. Zhai graduated from Beijing Zhangcheng College with a bachelor degree majoring in business administration in 2001. Ms. Zhai also completed the internal auditor training in environmental management system (ISO14001:2004) in 2007. From 1991 to 2007, Ms. Zhai had extensive exposure in marketing and senior management in various business disciplines, mainly in trading on an international level. Ms. Zhai joined Xinhua Company in 2007 and is also the president of its labour union.

CHEN, Hui (陳暉), aged 41, is the finance director of Xinhua Company. Mr. Chen has 15 years of experience in accounting and finance and is mainly responsible for overseeing the finance and accounting matters and co-ordinating inter-departmental work relations. Mr. Chen graduated from Fujian Institute of Economic Management (福建經濟管理幹部學院) majoring in industrial financial accounting in 1991. From April 1994 to February 2004, Mr. Chen acted as the head of financial accounting in Fujian Chuangshi Technology Co., Ltd. (福建創識科技股份有限公司). Mr. Chen worked in United (Fujian) Footware Co., Ltd. (合泰(福建)鞋業有限公司) as finance director from March 2004 to March 2005 before joining Xinhua Company in April 2005.

LIU, You Neng (劉友能), aged 44, is the deputy finance director of Xinhua Company. Mr. Liu has 7 years of experience in accounting and finance and is mainly responsible for assisting the finance director in finance and accounting matters. Mr. Liu graduated from Fujian Institute of Economic

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Management (福建經濟管理學院) majoring in industrial financial accounting in 1992. From December 1994 to October 2001, Mr. Liu was the deputy finance manager of Tongda Electronic Co., Ltd Shishi City (福建省石獅市通達電子有限公司) and Tong Da Electrics Co., Ltd Shi Shi City Fujian (福建省石獅市通達電器有限公司). From February 1998 to October 2001, Mr. Liu also took up the position of finance manager of Tongda Sports Goods Co., Ltd Shishi (石獅市通達體育用品有限公司). Mr. Liu joined Xinhua Company in 2007.

PANG, Jian Zhu (逢建竹), aged 47, is the sales director of Xinhua Company. Ms. Pang has over 13 years of experience in textile industry. Ms. Pang graduated from Party School of the Central Committee of the Communist Part of China (中共中央黨校函授學院) majoring in Economics Management in 1995. From December 1996 to July 2008, Ms. Pang worked in Hainan Xinlong Non-woven Share Company Limited (海南欣龍無紡股份有限公司) in various senior positions. Ms. Pang joined Xinhua Company in 2008.

Prof. GUO, Bing Chen (郭秉臣), aged 65, is the consultant and director of research and development centre of Xinhua Company. Prof. Guo graduated from Tianjin Industrial College of Textile (later renamed as Tianjin Polytechnic University), majoring in textile engineering in 1980. Prof. Guo was conferred professorship in 1998. Over the decades of academic endeavours, Prof. Guo had attained remarkable achievements in research and development and published a wealth of theses in the textile industry. Amongst them, the book titled “Non-woven Textile” (《非織造布學》) received exceptional recognitions including the Science and Technology Awards (科學技術獎) and the “Tenth Five-year” Outstanding Teaching Material of ministry and commission level (“十五”部委級優秀教材) by China National Textile And Apparel Council (中國紡織工業協會) in 2005 and 2006 respectively. Prof. Guo joined Xinhua Company in 2007.

PAN, Fu Cai (潘福才), aged 55, is the chief engineer in chemical fibres of research and development centre of Xinhua Company. Mr. Pan has over 30 years of experience in the chemical fibres industry. Mr. Pan graduated from Yueyang General Petroleum Works Middle School for Staff and Workers (岳陽石油化工總廠職工中等專業學校) majoring in organic chemical engineering in 1987 and has been a qualified engineer since 2001. Mr. Pan worked in a chemical fibres factory of Hunan Yueyang Baling branch of China Petroleum and Chemical Corporation (中國石油化工股份有限公司湖南岳陽巴陵石化公司) for over 27 years prior to joining Xinhua Company in 2005.

CORPORATE GOVERNANCE

The Directors recognise the importance of incorporating elements of good corporate governance in management and internal control procedures so as to achieve effective accountability.

In accordance with the requirements of the Listing Rules, the Company has established the Audit Committee in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules and appointed a qualified accountant to oversee the Company’s financial reporting procedures and internal controls so as to ensure compliance with the Listing Rules.

The Company has adopted a system of corporate governance.

The Company is committed to the view that the Board should include a balanced composition of executive and non-executive Directors (including independent non-executive Directors) so that there is a strong independent element on the Board, which can effectively exercise independent judgment. The

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Company is also committed to the view that the independent non-executive Directors should be of sufficient calibre and number for their views to carry weight. The independent non-executive Directors, are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgement.

AUDIT COMMITTEE

An audit committee was established by the Company on 12 May 2010 with written terms of reference in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review and approve the Group's financial reporting process and internal control system. The members of the audit committee are Wong Siu Hong, Zhu Min Ru and Wee Kok Keng. Wong Siu Hong is the chairman of the audit committee.

REMUNERATION COMMITTEE

A remuneration committee was established by the Company on 12 May 2010 with written terms of reference in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The primary duties of the remuneration committee are to review and determine the terms of remuneration packages, bonuses and other compensation payable to Directors and senior management of the Group. The members of the remuneration committee are Chim Wai Shing Jackson, Zhu Min Ru, Feng Xue Ben and Wong Siu Hong. Zhu Min Ru is the chairman of the remuneration committee.

NOMINATION COMMITTEE

A nomination committee was established by the Company on 12 May 2010 with written terms of reference. The primary duties of the nomination committee are to make recommendations to the Board on the appointment of Directors and the management of the Board succession. The members of the nomination committee are Chim Wai Kong, Zhu Min Ru, Feng Xue Ben and Wong Siu Hong. Feng Xue Ben is the Chairman of the nomination committee.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

The remuneration received by Directors (including fees, salaries, discretionary bonus, contributions to defined contribution benefit plans (including pension), housing and other allowances, and other benefits in kind) for the years ended 31 December 2007, 2008 and 2009 was approximately RMB378,000, RMB328,000 and RMB762,000, respectively.

The aggregate amount of fees, salaries, discretionary bonus, defined contribution benefit plans (including pension), housing and other allowances, and other benefits in kind paid to the five highest paid individuals of the Company, excluding Directors, for the years ended 31 December 2007, 2008 and 2009 were approximately RMB452,000, RMB392,000 and RMB471,000, respectively.

The Group has not paid any remuneration to its Directors or the five highest paid individuals as an inducement to join or upon joining the Company or as a compensation for loss of office in respect of the years ended 31 December 2007, 2008 and 2009. Further, for details of the Directors who agreed to waive the respective remuneration during the Track Record Period, please refer to note 12(a) of the Accountants' Report of the Group in Appendix I to this prospectus.

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Except as disclosed above, no other payments have been paid or are payable, in respect of the years ended 31 December 2007, 2008 and 2009, by the Group to the Directors.

Under the current arrangements, the aggregate remuneration and benefits in kind which the Directors including independent non-executive Directors are entitled to receive for the financial year ending 31 December 2010, excluding the discretionary bonuses payable to the executive Directors, is expected to be approximately RMB2.5 million.

STAFF

As at the Latest Practicable Date, the Group had 602 employees. The Company confirmed that save as the Directors and Chan Kwok Yuen Elvis being appointed by the Company and eight members of the senior management, namely Hong Lian Qiao, Chen Min Tsung, Zhai Hong Bing, Chen Hui, Liu You Neng, Pang Jian Zhu, Guo Bing Chen and Pan Fu Cai as disclosed in this section being employed by the Gerfalcon PRC, all other staff are employed by Xinhua Company. The table below set forth the number of the Group's employees by their responsibilities.

<u>Department</u>	<u>Number of employees</u>
Director and senior management (<i>note</i>)	17
Administration and finance	84
Production	419
Quality control	14
Procurement	17
Sales and marketing	35
Research and development	16
Total	602

Note: Among them, the non-executive Director and the three independent non-executive Directors are not involved in the Group's management and daily operation. The senior management includes the senior management staff from various departments.

The Directors are of the view that the Group has maintained a good relationship with its staff. The Group has not, in the past, experienced any disruption of its operations due to labour disputes.

The Directors are of the view that the ability to recruit and retain experienced and skilled labour is crucial to the Group's growth and development. In addition to providing its staff the opportunities to receive regular on-the-job trainings, the Group strives to create a harmonious, warm working and living environment for its staff and their families. The Group has maintained social security, medical and personal injury insurances for its staff.

The Group has not experienced any strikes or other labour disturbances which have interfered with its operations, and the Directors believe that the Group has positive relations with its employees.

During the Track Record Period, the Group incurred staff costs (excluding Directors' remuneration) of approximately RMB11.3 million, RMB12.9 million and RMB16.1 million, respectively. With the promulgation of the new Labour Contract Law, which became effective on 1

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January 2008, more stringent requirements have been imposed on employers in the PRC with respect to employment contracts entered into between an employer and its employees, hiring of temporary employees and dismissal of employees. The Group has entered into labour contracts with all of its employees. The labour contracts the Group entered into with its employees prior to the promulgation of the new Labour Contract Law, which are still effective, are subject to the old labour law and relevant rules and regulations. The labour contracts the Group entered into with its employees after 1 January 2008 have been entered into in accordance with the new Labour Contract Law.

The Group expects that its labour costs will increase as a result of the implementation of the new Labour Contract Law. However, since the labour costs are a relatively small component of the Group's overall cost structure, the Group does not expect the new Labour Contract Law to have material impact on the Group's business or results of operations.

EMPLOYEES' BENEFITS PROVIDED BY THE GROUP

The Group complies in all material aspects with all statutory requirements on retirement contribution in the jurisdictions where the Group operates.

The Group has established various welfare plans including the provision of pension funds, medical insurance, unemployment insurance and other relevant insurance for employees who are employed by the Group pursuant to the PRC rules and regulations and the existing policy requirements of the local government. In addition, an education fund was established for the benefit of the Group's staff.

SHARE OPTION SCHEME

The Company has conditionally adopted a Share Option Scheme pursuant to which selected participants may be granted options to subscribe for shares as incentives or rewards for their service rendered to the Group and any entity in which any member of the Group holds any equity interest. The Director believes that the implementation of the Share Option Scheme enables the Group to recruit and retain high calibre executives and employees. The principal terms of the Share Option Scheme are summarised under the section headed "Share Option Scheme" in Appendix V to this prospectus.

COMPLIANCE ADVISER

The Group intends to appoint Guotai Junan Capital Limited as the Group's compliance advisor pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance advisor will advise the Group in the following circumstances:

- (i) before the publication of any regulatory announcement, circular or financial report;
- (ii) where a transaction, which might be a notifiable or connected transaction, is contemplated, including Share issues and Share repurchases;
- (iii) if the Group proposes to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or if the Group's business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and

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- (iv) if the Stock Exchange makes an inquiry of the Group regarding unusual movements in the price or trading volume of the Shares.

In addition, the compliance advisor will also provide, inter alia, the following services to the Group:

- (i) if required by the Stock Exchange, deal with the Stock Exchange in respect of any or all matters listed in paragraphs (i) to (iv) above;
- (ii) in relation to an application by the Group for a waiver from any of the requirements in Chapter 14A of the Listing Rules, advise the Group on the Group's obligations and in particular the requirement to appoint an independent financial advisor; and
- (iii) assess the understanding of all new appointees to the Board regarding the nature of their responsibilities and fiduciary duties as a director of a listed issuer, and, to the extent the Company forms an opinion that the new appointees' understanding is inadequate, discuss the inadequacies with the Board and make recommendations to the Board regarding appropriate remedial steps, such as training.

The term of the appointment shall commence on the Listing Date and end on the date on which the Company distributes the Company's annual report in respect of its financial results for its first full financial year commencing after the Listing Date, and such appointment may be subject to extension by mutual agreement.

In addition, after the Listing Date, the Group intends to retain legal adviser(s) to advise on ongoing compliance and Listing Rules issues and other applicable laws and regulations in Hong Kong.