
DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

DIRECTORS

Our Board comprises seven Directors, including one non-executive Director and three independent non-executive Directors.

The following table presents certain information in respect of our Directors.

Name	Age	Position	Date of appointment
Mr. LIU Dong (劉東)	44	Chairman, an executive Director and the Chief Executive Officer	24 February 2010
Mr. LIU Zongjun (劉宗君)	41	Executive Director and the Vice President of Administration	26 June 2012
Mr. TIAN Chengjie (田成杰)	43	Executive Director and secretary to the Board	26 June 2012
Mr. YAN Tangfeng (閆唐鋒)	42	Non-executive Director	26 June 2012
Ms. ZHU Beina (朱北娜)	54	Independent non-executive Director	26 June 2012
Mr. ZHU Ping (朱平)	54	Independent non-executive Director	26 June 2012
Mr. LAM Kai Yeung (林繼陽)	42	Independent non-executive Director	26 June 2012

Executive Directors

Mr. LIU Dong (劉東), aged 44, is the Chairman, an executive Director and the Chief Executive Officer of our Company appointed on 24 February 2010, and one of our Controlling Shareholders. Mr. LIU has been with our Group since the acquisition of the equity interest of Yinshilai Textile by Yinshan Chemical Fiber in June 2005. Mr. Liu is currently the legal representative and a director of Yinshilai Textile and was firstly appointed to such posts in September 2005. Mr. LIU was appointed as a Director of our Company on 24 February 2010. He is also a director of each subsidiary of our Group (except Huiyin Textile). He is primarily responsible for overall business development, strategic planning and business development of our Group. Mr. LIU has accumulated 15 years of experience in the textile industry in the PRC which can be traced back to 1996 when he was appointed as the general manager of Zibo Wanjie Fiber Co., Ltd. (淄博萬杰纖維有限公司) (an Independent Third Party as at the Latest Practicable Date which was principally engaged in the business of manufacturing and sales of chemical fiber products when our

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Directors were its employees, as confirmed by our Directors). Mr. LIU had served as a deputy general manager of Zibo Wanjie Group Co., Ltd. (淄博萬杰集團有限公司), and subsequently as a director and general manager (between December 1998 and December 2001) and the chairman of the board of director (between December 2001 and November 2004) of Wanjie High-Tech. Mr. LIU studied in College of Textile Engineering of Shandong (山東紡織工學院) majoring in management and subsequently obtained a master of business administration degree from the Chinese Academy of Social Science in November 1998.

Mr. LIU was recognized as “Model Worker of the Textile Industry of the PRC” (全國紡織工業勞動模範) by the Ministry of Personnel of the PRC (中華人民共和國人事部) and China National Textile and Apparel Council (中國紡織工業協會) in 2006, “Outstanding Entrepreneur of the Zibo Municipality for the year 2006” (2006年度淄博市優秀企業家), “Outstanding Entrepreneur of the Zibo Municipality for the year 2008” (2008年度淄博市優秀企業家) and “Outstanding Entrepreneur of the Zibo Municipality for the year 2009” (2009年度淄博市優秀企業家) by the Zibo Municipal Committee of the Chinese Communist Party (中共淄博市委) and the People’s Government of Zibo Municipality (淄博市人民政府) in 2007 and 2010, respectively, “Star Entrepreneur of the Zibo Municipality for the year 2010” (2010淄博市明星企業家) by the Zibo Municipal Committee of the Chinese Communist Party (中共淄博市委) and the People’s Government of Zibo Municipality (淄博市人民政府) in 2011, “Outstanding Entrepreneur of the Shandong Province” (山東省優秀企業家) by Shandong Enterprise Confederation (山東省企業聯合會), Shandong Entrepreneur Association (山東省企業家協會), Shandong Industrial and Economics Confederation (山東省工業經濟聯合會) and Shandong Quality Association (山東省質量協會) in 2011, “Award for Outstanding Entrepreneurs of the Textile Industry of the Shandong Province” (山東省紡織企業家創業獎) by the Shandong Textile Industry Office (山東省紡織工業辦公室) and the Shandong Textile Enterprise Management Association (山東紡織企業管理協會) in 2007, one of the “Twelve Batch of Outstanding Young Entrepreneurs of the Zibo Municipality” (第十二屆淄博市傑出青年企業家) by the Zibo Municipal Committee of the Communist Youth League (共青團淄博市委), Zibo Municipal Economy and Trade Committee (淄博市經濟貿易委員會), the Zibo Municipal Administration for Industry and Commerce (淄博市工商行政管理局), the Zibo Municipal Department of Environmental Protection (淄博市環境保護局), the Zibo Municipal Association of Entrepreneur (淄博市企業家協會) and the Zibo Municipal Association of Young Entrepreneur (淄博市青年企業家協會) in 2007, “Outstanding Persons of the Textile Brand Culture Development of the PRC for the year 2010” (2010中國紡織品牌文化建設傑出人物) by China National Textile and Apparel Council (中國紡織工業協會) and the Chinese Association for Textile Enterprises Culture Construction (中國紡織企業文化建設協會) in 2010, and “Boshan Star Entrepreneur for the year 2008” (2008年度博山區明星企業家), “Boshan Star Entrepreneur for the year 2010” (2010年度博山區明星企業家) and “Boshan Star Entrepreneur for the year 2011” (2011年度博山區明星企業家) by the Boshan District Committee of the Chinese Communist Party (中共博山區委) and the People’s Government of Boshan District (博山區人民政府) in 2009 and 2011, respectively. Mr. LIU is a representative of the Fourteenth People’s Congress of Zibo City (淄博市第十四屆人民代表大會).

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Mr. LIU Zongjun (劉宗君), aged 41, is an executive Director appointed on 26 June 2012 and our Vice President of Administration. He joined our Group as assistant to the chairman of the board of directors, deputy general manager of Yinshilai Textile and manager of the human resources department since April 2010. Mr. LIU was appointed as a director of Huiyin Textile in March 2012.

Mr. LIU is experienced in administrative management and has accumulated 15 years of experience in the textile industry. Between July 1993 and June 1994, Mr. LIU worked in the Shanghai office of Weifang Economic and Trade Centre (濰坊經濟貿易中心) governed by the Shandong Weifang Municipality Economic Committee (山東濰坊市經濟委員會). Between September 1994 and October 2004, Mr. LIU worked with Wanjie Group Co., Ltd. and held a series of positions including the role of executive in foreign economy and trade department of the Shanghai office, assistant to the general manager of Zibo Wanjie Fiber Co., Ltd. (淄博萬杰纖維有限公司) and assistant to the general manager and human resources manager of Wanjie High-Tech. Between October 2004 and April 2010, Mr. LIU served as general manager of Tianhao.

Mr. LIU graduated from Shanghai Textile College (上海紡織高等專科學校) in July 1993, majoring in textile material chemical processing. He also obtained a bachelor degree in Chinese literature from Shandong University of Technology (山東理工大學) in January 2007.

Mr. TIAN Chengjie (田成杰), aged 43, is an executive Director appointed on 26 June 2012 and secretary to the Board. Mr. Tian has been a deputy general manager of Yinshilai Textile in March 2005. In May 2006, he was also appointed as a deputy general manager and a director of Huiyin Textile. He is primarily responsible for administration, planning and human resources of our Group. Mr. TIAN has accumulated more than 17 years of experience in the textile industry in the PRC. Mr. TIAN had worked with Zibo Wanjie Fiber Co., Ltd. (淄博萬杰纖維有限公司) since December 1993 and held a series of positions including the role of workshop manager, the head of the spinning department, the head of the quality control department, the head of the enterprise administration department, and an assistant to the general manager, and subsequently with Zibo Wanjie Group Co., Ltd. (淄博萬杰集團有限公司) serving as the head of the enterprise administration department. Between December 1996 and November 2004, Mr. TIAN held a series of positions including the role of director and supervisor of Wanjie High-Tech. Mr. TIAN graduated from the College of Textile Engineering of Shandong (山東紡織工學院) in July 1990 majoring in chemical fiber studies and obtained a master of business administration degree from the Guanghua School of Management of the Peking University (北京大學光華管理學院) in May 2004.

Mr. TIAN was awarded the second prize of the “Modern and Innovative and Excellent Application of Enterprises Management of the Shandong Province Award” (山東省企業管理現代化創新及優秀應用二等獎) by the Modern and Innovative Contribution of Enterprises Management of the Shandong Province Award Committee (山東省企業管理現代化創新成果評審委員會) in December 2010.

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Non-executive Director

Mr. YAN Tangfeng (閻唐鋒), aged 42, is our non-executive Director appointed on 26 June 2012. Mr. YAN is the sole director and sole shareholder of Sunlion. He has been the chief executive officer of Sinolion Investment Pte. Ltd., responsible for the management of investments and overall management of business operations since September 2007. Mr. Yan started his career as a teacher and secretary of the faculty's Party Committee in Shandong Industrial University (山東工業大學) (which combined with Shandong University in 2001) between July 1994 and April 2003. From April 2003 to September 2007, Mr. YAN worked in ICH Capital Pte. Ltd. as vice president and was subsequently promoted to senior vice president, responsible for investment management. Mr. YAN is also an executive director of Sinolion Investment Holdings Limited since July 2007, and a director of China Albetter Technology Holdings Pte. Ltd. since August 2008. Mr. YAN graduated from Shandong Industrial University (山東工業大學) (which combined with Shandong University in 2001) with a bachelor degree in engineering in July 1994.

Mr. YAN is currently a controlling shareholder, a non-executive director and the chairman of Shengli Oil & Gas Pipe Holdings Limited (勝利油氣管道控股有限公司) (stock code: 1080), a company listed on the Main Board, and has since 3 July 2009 been appointed to their board.

Mr. YAN's appointment will be subject to our Articles of Association.

Independent non-executive Directors

Ms. ZHU Beina (朱北娜), aged 54, is an independent non-executive director appointed on 26 June 2012. Ms. ZHU is the president of China Cotton Textile Association (中國棉紡織行業協會). Ms. ZHU graduated from the East China Institute of Textile Science and Technology (華東紡織工學院) in July 1983 with a bachelor degree majoring in textile engineering. Since September 1998, Ms. ZHU worked at the China Cotton Textile Association (中國棉紡織行業協會) and held a series of positions including the role of deputy secretary-general, secretary-general, vice president and president successively, and obtained the qualification of senior engineer and professorate senior engineer.

Ms. ZHU has been appointed as an independent non-executive director of Shanghai Worldbest Industry Development Co., Ltd. (上海華源企業發展股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600757), between December 2006 and February 2011, and Henan Xinye Textile Co., Ltd. (河南新野紡織股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002087), since September 2009, respectively.

Ms. ZHU was awarded the first prize and the second prize of the "Science and Technology Award" (科學技術獎) by the China National Textile & Apparel Council (中國紡織工業協會) in October 2006 and October 2008, respectively.

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Mr. ZHU Ping (朱平), aged 54, is an independent non-executive director appointed on 26 June 2012. Mr. ZHU obtained a doctor degree majoring in textile chemistry and dyeing and finishing engineering from Donghua University (東華大學) (previously known as the China Textile University (中國紡織大學)) in March 1999 and post-doctoral qualification from the University of Georgia in January 2000, respectively.

Mr. ZHU is currently holding a number of posts in educational and professional institutions in relation to textile manufacturing. He is currently a distinguished visiting professor under the scheme of “Chutian Scholar” (楚天學者) of the Department of Education of the Hubei Province, and the dean of the faculty of chemistry and chemical engineering, a supervisor of doctor degree and a distinguished visiting professor under the scheme of “Sunshine Scholar” (陽光學者) of the Wuhan Textile University (武漢紡織大學), respectively. He is also a supervisor of doctor degree of the Huazhong University of Science and Technology (華中科技大學), and Qingdao University (青島大學), a committee member of the “Supervising Committee on Professional Education of Light Chemical Engineering” (教育部輕化工程專業教學指導委員會), and a “State Council Expert for Special Allowance” (國務院特殊政府津貼專家). Since March 2008, he has held various posts with the Wuhan Textile University including the dean of the faculty of textile and material and the director of the “Key Laboratory of the Ministry of Education” (教育部重點實驗室).

Mr. ZHU was an associate professor and director of the teaching and research office on dyeing and finishing in the College of Textile Engineering of Shandong (山東紡織工學院) between June 1982 and May 1994, a professor, supervisor of master degree and deputy director of the department of chemical engineering of the college of textiles & fashion of the Qingdao University (青島大學) from May 1994 to January 1999 and from January 2000 to January 2001, a professor, supervisor of doctor degree and the vice dean of the college of chemistry, chemical engineering and environment of the Qingdao University between June 2002 and March 2008, respectively.

Mr. ZHU was awarded the first prize (in April 2007) and the second prize in (November 2005 and April 2008) of the “Scientific Technology Award of the Shandong Province” (山東省科學技術獎) by the People’s Government of the Shandong Province, respectively, the second prize (in October 2000) and third prize (in December 1996 and December 1997) of the “Scientific and Technological Advancement of the Shandong Province” (山東省科學技術進步獎) award by the Scientific and Technological Advancement of the Shandong Province Committee (山東省科學技術進步獎評審委員會), respectively, the “Shandong Provincial Education Committee Certificate for Scientific and Technological Advancement” (山東省教育委員會科學技術進步獎勵證書) by the Shandong Provincial Education Committee (山東省教育委員會) in December 1997, and the third prize (in March 1996) and second prize (in December 1997) of the “Scientific and Technological Advancement of Qingdao Municipal Award” (青島市科學技術進步獎) by the Scientific and Technological Advancement of the Qingdao Municipal Committee (青島市科學技術進步獎評審委員會), respectively.

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Mr. LAM Kai Yeung (林繼陽), aged 42, is an independent non-executive Director appointed on 26 June 2012. Mr. LAM is a fellow of the Association of Chartered Certified Accountants (英國特許公認會計師公會) and a fellow of the Hong Kong Institute of Certified Public Accountants (香港會計師公會). Mr. LAM obtained a bachelor degree of accounting from Xiamen University (廈門大學) in July 1990 and a master degree in business administration from Oxford Brookes University in the United Kingdom in July 2010. Mr. LAM has been an independent non-executive director of Northeast Tiger Pharmaceutical Company Limited (東北虎藥業股份有限公司) (stock code: 8197), a company listed on the Growth Enterprise Market of the Stock Exchange, since 7 August 2008. He has also been the company secretary and qualified accountant of Hunan Nonferrous Metals Corporation Limited (湖南有色金屬股份有限公司) (stock code: 2626), a company listed on the Main Board, since 13 July 2006, and is also the chief financial officer of one of its subsidiaries.

Save as disclosed herein, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of the Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules, as at the Latest Practicable Date.

SENIOR MANAGEMENT

Ms. SUN Hongchun (孫紅春), aged 48, is our Vice President of Production and Technology. Ms. SUN served as a general manager of Yinshilai Textile since March 2005, primarily responsible for the implementation of enterprise routine management and business plan. Ms. SUN was appointed as a director of Yinshilai Textile in September 2005. Ms. SUN has accumulated 21 years of experience in the textile industry which can be traced back to 1990, including serving as a factory supervisor, head of production technology department of Zibo Wanjie Group Co., Ltd. (淄博萬杰集團有限公司), deputy factory supervisor, deputy general manager of Zibo Wanjie Fiber Co., Ltd. (淄博萬杰纖維有限公司) and general manager of Wanjie Knitting Company (萬杰織造公司). Ms. SUN was recognized as the “Model Worker of the Textile Industry of the PRC” (全國紡織工業勞動模範) by the Ministry of Human Resources and Social Security (人力資源和社會保障部) and China Textile and Apparel Council (中國紡織工業協會) in 2010, the “Outstanding Manager of the Shandong Province for the year 2010” (2010年度山東省優秀經營管理者) by the Shandong Economic and Information Technology Committee (山東省經濟和信息化委員會), the second prize of the “Modern Innovation and Excellent Application of Enterprises Management of the Shandong Province Award” (山東省企業管理現代化創新及優秀應用成果二等獎) by the Modern and Innovative Contribution of Enterprises Management of the Shandong Province Award Committee (山東省企業管理現代化創新成果評審委員會) in December 2010, and “the Honour of Excellent Innovative Leader of the Boshan District” (博山區優秀創新帶頭人榮譽) by the Peoples’s Government of Boshan District (博山區人民政府). Ms. SUN has also participated in a chemical fiber technology development project which was recognized as a “Spark Program Achievement at the National Level” (國家級星火計劃科技成果) by the Science and Technology Commission of Shandong Province (山東省科學技術委員會) in December 1993.

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Ms. SUN graduated from the College of Textile Engineering of Shandong (山東紡織工學院) with a bachelor degree majoring in textile engineering in June 1990.

Ms. SUN is the spouse of Mr. LV Ruichuan (a consultant of our Company).

Mr. SONG Shuli (宋樹利), aged 36, has been our Chief Financial Officer since July 2011 and is responsible for our Group's financial and accounting functions, and overseeing the financial reporting and accounting functions. Mr. SONG obtained a bachelor degree in laws from the Shandong Normal University (山東師範大學) in December 2009. Mr. SONG was qualified as a certified tax adviser, a qualified property valuer and a qualified accountant in China in September 2005, September 2005 and October 2005, respectively. Mr. SONG worked in a number of professional accounting firms in China prior to joining our Group.

Mr. GONG Jianpei (龔建培), aged 50, joined our Group in August 2011 when he was appointed as our chief designer on a part-time basis. His duties include conducting market research and analysis as to textile products, assisting us in new products design and development, providing training to the staff in our research and development and product design department, and assisting us in the planning of design competition and headhunting.

Mr. GONG is experienced in textile fabric design. He was awarded the first-class theses award by the National Textile Design Competition And Theory Seminar (2001全國紡織品設計大賽暨理論研討會) in 2001, a silver prize in the "Fourth National Interior Design Competition" (全國第四屆室內設計大賽) by China Interior Decoration Association (中國室內裝飾協會) in 2002, a silver prize for his thesis in the "Chinese International Household Textile Design Competition" (中國國際家用紡織品設計大賽) by China Home Textile Association (中國家用紡織品行業協會), The Sub-Council of Textile Industry, CCPIT (中國國際貿易促進委員會紡織行業分會), Messe Frankfurt (HK) Ltd (法蘭克福展覽(香港)有限公司), and The People's Government of Hianing, Zhejiang Province (浙江省海寧市人民政府) in 2003, an award of excellence for his thesis in the Chinese Fashion Colour Association (中國流行色協會) in December 2003, the "First Prize Teaching Achievement Award" (教學成就一等獎) by the Nanjing Art Institute (南京藝術學院) in 2004, and the "Second Prize Achievement Award for Undergraduates Teaching in Jiangsu Province for 2004" (2004年江蘇省高等教育教學成果獎二等獎) by the Education Department of Jiangsu Province (江蘇省教育廳) in 2005, respectively.

Mr. GONG is currently holding a number of posts in professional institutes in relation to design and textile. He is also a qualified designer of the Designer Chapter of the Chinese Household Textile Association (中國家紡協會設計師分會), a specialist of the Textile & Garment Chamber of Commerce, All-China Association of Industry & Commerce (中華全國工商業聯合會紡織服裝業商會), a councilor of the International Natural Dyeing Association (國際自然染色協會), and a councilor of the Chinese Fashion Colour Association (中國流行色協會).

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Ms. SUN Qiaoyun (孫巧雲), aged 42, is our Financial Controller. Ms. SUN joined our Group as the financial controller of Yinshilai Textile in November 2004 and was appointed as a director of Yinshilai Textile in March 2006. Ms. SUN has accumulated 20 years of experience in finance and management which can be traced back to 1991 when she served as the manager of the finance department of Zibo Wanjie Fiber Co., Ltd. (淄博萬杰纖維有限公司).

Ms. SUN undertook a part-time course at the Party School of Shandong Provincial Party Committee of China Communist Party (中共山東省委黨校) and obtained a bachelor degree in economic management in December 2004.

Ms. SUN submitted one of the statutory filings in the 2005 Filings (as defined in section headed “Connected Transactions — Exempt Continuing Connected Transactions” in this prospectus) at the local SAIC office. As confirmed by Ms. SUN, she has no knowledge of the forged signatures in the said statutory filings and the background in relation thereto at the time of making of the submission, and save as the above, she has no involvement in the making of the forged signatures in 2003 Filings (as defined in section headed “Connected Transactions — Exempt Continuing Connected Transactions” in this prospectus) and 2005 Filings.

Except as disclosed above, each of our Directors and our senior management members has confirmed that he or she has not held any directorship in other listed public companies or major appointments in the three years preceding the Latest Practicable Date.

COMPANY SECRETARY

Ms. CHAN Yin Wah (陳燕華), aged 36, is an associate director of a corporate services provider company. She has over 10 years of professional experience in handling corporate secretarial, compliance and share registry matters for listed companies in Hong Kong. She has worked as a senior manager of a corporate service firm and was a company secretary of company listed on the Main Board. Ms. CHAN obtained a bachelor degree in economics from the University of Hong Kong in December 1997 and a master degree in professional accounting from the Hong Kong Polytechnic University in November 2002. She is an associate of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom. She is also a member of the Association of Chartered Certified Accountants in the United Kingdom. Ms. CHAN was appointed as our company secretary on 1 September 2011. Ms. CHAN has been the company secretary of Zhengye International Holdings Company Limited (正業國際控股有限公司) (stock code: 3363), a company listed on the Main Board, since 21 December 2011 and the company secretary of CCID Consulting Company Limited (賽迪顧問股份有限公司) (Stock Code: 8235), a company listed on the GEM Board since 28 March 2012. Ms. CHAN is not an employee of our Company and she can contact Mr. Tian Chengjie, our executive Director, in relation to any corporate secretarial matters.

DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

In each of the three years ended 31 December 2011, the total remuneration (comprising fees, salaries and allowances, discretionary bonuses and pension scheme contribution) and benefits in kind of our Directors was approximately RMB283,000, RMB853,000 and RMB929,000, respectively, and the total remuneration of the five highest-paid individuals (including two, two and three Directors, respectively) was approximately RMB549,000, RMB1,507,000 and RMB1,423,000, respectively. Further information on the remuneration of each of our Directors during the Track Record Period is set out in Notes 6 and 7 to the Accountants' Report set out in Appendix I to this prospectus.

During the Track Record Period, no remuneration was paid to our Directors as an inducement to join or upon joining our Group. No compensation was paid to, or receivable by, our Directors or past Directors during the Track Record Period for the loss of office as director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. None of our Directors waived any emoluments during the Track Record Period.

Under the current arrangements, our Directors will be entitled to receive remuneration from our Group which, for the year ended 31 December 2012, is expected to be approximately RMB1.6 million, excluding the discretionary bonus payable to our Directors.

During the Track Record Period, no remuneration was paid to any of the five highest paid individuals of our Group as an inducement to join or upon joining our Group. No compensation was paid to or receivable by such individuals during the Track Record Period for the loss of any office in connection with the management of the affairs of any member of our Group.

Except as disclosed above, no other amounts have been paid or were payable by us to our Directors and members of our senior management for each of the three years ended 31 December 2011.

We will determine the remuneration of our Directors on the basis of their experience, performance, duties and market conditions.

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STAFF

The number of staff members who had signed labour contracts with our Group during the Track Record Period was 960 as at 31 December 2009, 855 as at 31 December 2010 and 573 as at 31 December 2011. The following table set out the breakdown of our staff members by departments as at 31 December 2010 and 31 December 2011:

Department	As at 31 December 2010	As at 31 December 2011
	<i>No. of staff members</i>	<i>No. of staff members</i>
Sales and marketing	32	39
Sourcing and procurement	4	7
Production	920	1,862
Research and development and product design	79	47
Management, administration and accounting	<u>100</u>	<u>186</u>
Total	<u>1,135</u>	<u>2,141</u>

The significant increase in staff members from 1,135 as at 31 December 2010 to 2,141 as at 31 December 2011 was primarily due to the acquisition of spinning machines and equipment under the Yinlong Assets Acquisition on 31 December 2010 and the acquisition of a total of 128 sets of new jacquard looms since the fourth quarter of 2010. As a result, we increased our labour force to operate these newly acquired production facilities.

As the domestic economy prospers, it becomes increasingly costly for manufacturing enterprises which do not possess up-to-date information of the labour market and the specialised personnel to directly engage in advertising job vacancies and recruitment of suitable employees, and it would be for the benefit of our Group to outsource the employee recruitment exercise through arrangement with specialised labour despatching agencies.

As at 31 December 2011, we had signed labour contracts with 573 out of our 2,141 full-time staff members while the remaining 1,568 staff members were dispatched by Zibo Kangye pursuant to the relevant labour sourcing agreements with Zibo Kangye. The Group did not have labour sourcing arrangement with Zibo Kangye until April 2011. The labour sourcing agreements entered into with Zibo Kangye dated 13 March 2011 provide for, amongst others, (a) the responsibility of Zibo Kangye to recruit competent staff for us and arrange for pre-job training; (b) the number, positions and qualifications of the workers to be despatched by Zibo Kangye; (c) working time and vacations to be provided to such workers; (d) payment of salaries to such workers; (e) social insurances and housing fund contributions; (f) labour protection and safety provisions; and (g) termination. Further, under such agreements, for a term of three years, (a) Zibo Kangye will be responsible for the payment of salaries and social insurances (exclusive of work-related injury insurance) for the despatched workers which will be reimbursed by our Group; (b) our Group will be responsible for the work-related injury insurance contributions for such despatched

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workers; and (c) our Group agreed to pay to Zibo Kangye a monthly fee of RMB55 per despatched worker as well as the salaries of despatched workers which are agreed between us and Zibo Kangye. The despatching fee is based on the prevailing fair market price and pursuant to such agreements, the salaries of despatched workers should equate with the workers of the same position employed by our Group and should not be lower than the minimum wages of Zibo City. As advised by our PRC legal advisers, such arrangement complies with all applicable labour laws and regulations in the PRC, and according to the Labour Contract Law and the labour sourcing agreements entered into between each of Yinshilai Textile and Huiyin Textile and Zibo Kangye, Zibo Kangye is the responsible party for the contribution of the social insurances (exclusive of work-related injury insurance) and housing funds of these 1,568 workers, the expenses of which will be reimbursed by us in accordance with the labour sourcing agreements. Although Zibo Kangye is the employer of the despatched employees, if Zibo Kangye fails to comply with the relevant rules and regulations and is in breach of the labour contracts signed with such despatched employees which results in harmful consequences to such despatched employees, Yinshilai Textile and Huiyin Textile may be held jointly liable with Zibo Kangye. However, Yinshilai Textile and Huiyin Textile are entitled to claim against Zibo Kangye for compensation of their losses pursuant to the terms of the relevant labour sourcing agreements.

OUR RELATIONSHIP WITH STAFF

We recognize the importance of a good relationship with our employees. We have not experienced any significant problems with our employees or disruption to our operations due to labour disputes, nor have we experienced any difficulties in the recruitment (which is now partly outsourced to Zibo Kangye) and retention of experienced staff. Our Directors believe that we have a good working relationship with our employees.

SOCIAL INSURANCES AND HOUSING FUND

Our operating subsidiaries in China, namely, Yinshilai Textile and Huiyin Textile, are required to make social insurances and housing fund contributions for the benefit of its own employees under the PRC law and regulations. In addition, each of Yinshilai Textile and Huiyin Textile is required to make work-related injury insurance contributions for the workforce sourced from Zibo Kangye pursuant to the labour sourcing agreements with Zibo Kangye. Due to the differences in local regulations, inconsistent implementation by local authorities in the PRC, high mobility of rural population and different levels of acceptance of the social insurances and housing fund systems by employees, each of Yinshilai Textile and Huiyin Textile did not make social insurances and housing fund contributions in full for its employee during the Track Record Period. Our Directors have confirmed that each of Yinshilai Textile and Huiyin Textile has made the relevant work-related injury insurance contributions for its workforce sourced from Zibo Kangye since June 2011.

As at 31 December 2011, the aggregate outstanding amount for social insurances contributions for Yinshilai Textile and Huiyin Textile's own employees was approximately RMB9,631,518.94. Each of Yinshilai Textile and Huiyin Textile completed the registration process with the relevant social insurances authorities at the end of June and August 2010

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respectively and has commenced to make social insurances contributions in respect of some of its eligible employees who agreed to participate in the social insurance scheme since then. Since April 2011, each of Yinshilai Textile and Huiyin Textile has made social insurances contributions for all of its eligible employees. As at 31 December 2011, the aggregate outstanding amount for housing fund contribution for Yinshilai Textile and Huiyin Textile's own employees was approximately RMB2,407,062.5. Each of Yinshilai Textile and Huiyin Textile has completed the requisite registration and opened requisite housing fund accounts with the relevant housing authorities in accordance with the relevant laws and regulations, and has commenced payments of housing fund contributions for all eligible employees since May 2011.

According to the relevant PRC laws and regulations, enterprises which have not paid the social insurances contributions or have not contributed to social insurances payments on behalf of employees according to the relevant rules will be required to pay such amounts by the relevant labour insurance administrative departments or tax authorities within a required period. If the payment is not made within the required period, in addition to payment of the outstanding amount, a late charge calculated at 0.2% per day of the outstanding amount will be charged from the date of the default payment. Meanwhile, enterprises which do not make requisite registration or complete procedures to open relevant accounts to make housing fund contributions for their employees will be ordered by the housing fund management centre to make such payment or complete such procedures within a required period. If the payment has not been made or the necessary procedures have not been completed within the required period, enterprises will be subject to a penalty of not less than RMB10,000 and not more than RMB50,000. If any employee of an enterprise not having paid the social insurances contributions or housing fund contribution in full succeeds in a labour dispute against such enterprise with respect to the outstanding contributions and/or fund, such enterprise may be required to make such outstanding contributions.

Up to the Latest Practicable Date, each of Yinshilai Textile and Huiyin Textile has not received any complaint from its employees for lack of contributions for social insurances and housing fund. Neither Yinshilai Textile nor Huiyin Textile has received any notice or legal documents from the regulatory authorities of social insurances and housing fund requesting contributions for the relevant insurances or fund. To minimize our regulatory exposure to the non-contribution to the relevant insurances and fund, we have received letters of confirmation from Boshan Human Resources and Social Security Bureau of Zibo dated 10 August 2011 and 13 June 2012 and made inquiries with Zibo Housing Fund Management Centre in June 2011 and June 2012 respectively that we will not be requested by them to make the outstanding contributions and will not be subject to any penalties for previous non-contributions. As advised by our PRC legal advisers, Boshan Human Resources and Social Security Bureau of Zibo and Zibo Housing Fund Management Centre are the competent government authorities in making the relevant opinion.

In the event that we are found to be liable for previous non-contributions of social insurances and housing fund, we may be ordered by the relevant authorities to make the outstanding contributions and be subject to penalties imposed by the relevant authorities. In that case, we will make the outstanding social insurances and housing fund contributions

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as required, and the late payment penalties will not apply according to the relevant laws and regulations. Our Controlling Shareholders have agreed to indemnify us against all losses suffered or incurred by us as a result of or in connection with the social insurances, housing fund and work-related injury contributions due or payable for employees of our Group that any member of our Group has failed to make prior to Listing. In addition, Yinshilai Textile and Huiyin Textile undertake to comply with the applicable laws and regulations to make relevant contributions in the future.

We have a specific unit under our management department to deal with human resources affairs. Our human resources personnel are responsible for ensuring compliance with the relevant social insurances and housing fund laws and regulations. They collect payroll information of our employees and calculate the amounts of social insurances and housing fund contributions to be paid on a timely basis, and from time to time liaise with the relevant local authorities to assess our compliance situation as well as update our Group with the local regulations and requirements applicable to us. There is no provision entitling us to use forfeited contributions (by employers on behalf of employees who leave the scheme prior to vesting fully in such contributions) for reducing the existing level of contributions.

EMPLOYEE TRAINING

With the aim to encourage our employees to continuously develop themselves by further education, we provide our employees in our management team, production team, sales and marketing team and research and development team with in-house or external training relevant to their current roles or anticipated tasks in our Group. We value our employees as our assets in which we invest our resources in order for them to make a greater contribution to our success.

STAFF REMUNERATION

We determine our staff's remuneration based on factors such as qualifications, performance, years of experience and industry practices. Our staff costs (including Directors' and senior management's emoluments) for each of the three years ended 31 December 2011 were approximately RMB32,677,000, RMB37,043,000 and RMB63,368,000, respectively.

AUDIT COMMITTEE

Our Company established an audit committee on 26 June 2012 with its written terms of reference in compliance with the Listing Rules. The primary duties of the audit committee are to review and supervise our financial reporting process and internal control system, nominate and monitor external auditors and to provide advice and comments to the Board.

Our audit committee consists of three members, being Ms. ZHU Beina, Mr. ZHU Ping and Mr. LAM Kai Yeung. Mr. LAM Kai Yeung currently serves as the chairman of our audit committee.

REMUNERATION COMMITTEE

Our Company established a remuneration committee on 26 June 2012 with its written terms of reference in compliance with the code provisions of the Code on Corporate Governance Practices set out in appendix 14 to the Listing Rules. The primary duties of the remuneration committee are to evaluate the performance and make recommendations to the Board on the remuneration packages of individual executive Directors and senior management.

Our remuneration committee consists of three members, being Ms. ZHU Beina, Mr. ZHU Ping and Mr. LIU Dong. Mr. ZHU Ping currently serves as the chairman of our remuneration committee.

NOMINATION COMMITTEE

Our Company established a nomination committee on 26 June 2012 with its written terms of reference by reference to the code provisions of the Code on Corporate Governance Practices set out in appendix 14 to the Listing Rules. The primary duties of the nomination committee are to make recommendations to our Board regarding candidates to fill vacancies on our Board and/or in senior management.

Our nomination committee consists of three members, being Ms. ZHU Beina, Mr. ZHU Ping and Mr. LIU Dong. Ms. ZHU Beina currently serves as the chairman of our nomination committee.

COMPLIANCE ADVISER

Our Company will enter into a compliance adviser agreement with our compliance adviser and expects to appoint First Shanghai 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 our Company in the following circumstances:

- (a) before the publication of any regulatory announcement, circular or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction, is contemplated including but not limited to share issues and share repurchases;
- (c) where our Company proposes to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where the business activities, developments or results of operation of our Group deviate from any forecast, estimate, or other information in this prospectus; and
- (d) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of the Shares.

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The term of appointment of the compliance adviser shall commence on the Listing Date and end on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.