

## DIRECTORS, MANAGEMENT AND STAFF

### DIRECTORS

#### Executive Directors

Mr. Zhu Yu Guo (朱玉國), aged 52, was one of the two founders of our Group. Mr. Zhu is the husband of Mrs. Zhu, our non-executive Director, and the father of Mr. Zhu Mo Qun, one of our executive Directors. Mr. Zhu was appointed as an executive Director and the chairman of our Company on 5 September 2006. He is responsible for overseeing and planning the business strategies of our Group. Prior to the incorporation of Shandong Qunxing, Mr. Zhu had been engaged in work which relate to the manufacture of paper manufacturing machinery parts for over 10 years during which he also studied the features of different types of paper products and has acquired the experience and knowledge of paper manufacturing industry. From June 1999 to July 2006, Mr. Zhu was the supervisor of Shandong Qunxing, being responsible for supervising the formulation of its development strategies and investment planning. Since August 2006, he has become the legal representative and a director of Shandong Qunxing. Mr. Zhu has obtained various awards and qualifications. In 1990, he was appraised as an economist by 鄒平縣科學技術委員會 (Zouping County Science and Technology Committee\*). In July 2003, he was honoured by Shandong Provincial People's Government as an outstanding private entrepreneur in Shandong Province, the PRC. In January 2007, Mr. Zhu was hired by the Information Management Institute of Shandong Economic Institute as a part-time professor. Mr. Zhu completed tertiary education in 山東省經濟管理幹部學院 (Shandong Province Economic Management Official Institute\*) in PRC in April 1992, majoring in corporate management.

Mr. Zhu Mo Qun (朱墨群), aged 27, was the other founder of our Group and is the son of Mr. Zhu and Mrs. Zhu, our non-executive Director. He was appointed as an executive Director, the vice-chairman and general manager of our Company on 5 September 2006. He is responsible for the overall management of our business. He completed tertiary legal education in 山東省政法管理幹部學院 (Shandong Province Political & Legal Management Official Institute\*) in the PRC in July 2001. After graduation and since 2002, Mr. Zhu Mo Qun has become the general manager of Shandong Qunxing to oversee its operation. In 2004, he was awarded with the title of International Professional Manager by International Managers Union. In January 2005, he was approved by 中華人民共和國人事部全國人才流動中心 (China Human Resource Exchange Centre\*) to become a member of a country-level database of experts, which stores the information of senior enterprise administrators called the 全國企業經營管理人才庫 (National Data Base of Human Resources in Business Operation and Management\*). In 2005, he was appraised as one of the 山東十大優秀企業家 (ten outstanding entrepreneurs in Shandong\*) by 山東十大優秀企業家評委會 (Appraisal Committee for Ten Outstanding Entrepreneurs in Shandong\*). In April 2006, he was honoured jointly by the 共青團濱州市委 (Binzhou City Committee of the Communist Youth League\*) and 濱州市經貿委 (State Economic and Trade Commission in Binzhou City\*) as an 濱州市傑出青年企業家 (outstanding young entrepreneur in Binzhou City\*). In July 2006, he was appointed as a director of Shandong Qunxing.

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Mr. Sun Zhen Shui (孫振水), aged 52, joined our Group as an executive Director in 3 September 2007 and is responsible for managing the financial and administrative aspects of our Group. Mr. Sun has gained over 20 years of experiences in the financial industry through his position as the supervising accountant of 長山鎮經濟委員會 (Changshan Town Economy Committee\*) from 1983 to 2004. From August 2004 to May 2007, he was the financial controller of SD Changxing. Mr. Sun completed tertiary education in business management in 山東省經濟管理幹部學院 (Shandong Province Economic Management Official Institute\*) in the PRC in May 1994 and obtained from 山東省濱州地區職稱改革領導小組 (Shandong Province Binzhou District Professional Title Reform Leader Group\*) the qualification as a qualified accountant in the PRC on 30 December 1994.

### Non-Executive Director

Ms. Sun Rui Fang (孫瑞芳), aged 52, is the wife of Mr. Zhu and the mother of Mr. Zhu Mo Qun, one of our executive Directors. Mrs. Zhu joined our Group as a director of Shandong Qunxing in July 2006 and prior to such appointment, Mrs. Zhu has since the inception of Shandong Qunxing helped Mr. Zhu, her husband, and Mr. Zhu Mo Qun, her son, in attending general administrative works of Shandong Qunxing. Although she has not been involved in all major management or operational decisions of our Group, she has gained an understanding of our Group's overall businesses and operations. Based on Mrs. Zhu's previous working experience with Shandong Qunxing, our Board considers it appropriate to appoint Mrs. Zhu as a non-executive Director. She attended high school education in the PRC in July 1971.

### Independent Non-Executive Directors

Mr. Zhao Wei (趙偉), aged 47, joined our Group as an independent non-executive Director in 3 September 2007. Mr. Zhao became a senior qualified engineer in December 1993 and is now the chief secretary of 中國造紙協會 (China Paper Association\*). He was previously 副處長 (Deputy Director\*) of 輕工部人事司科幹處 (Division of Officers of the Human Resource Department of the Ministry of Light Industries\*), 副處長 (Deputy Director\*) of the 輕工部造紙司生產處 (Division of Production of the Department of Paper of the Ministry of Light Industries\*) as well as 副秘書長 (Deputy Secretary General\*)、副理事長 (Deputy Director\*) and 秘書長 (Secretary General\*) of 中國造紙協會 (China Paper Association\*).

Mr. Zhao is currently an independent director of 廣東冠豪高新技術股份有限公司 (Guangdong Guan hao High-tech Company Limited\*) 山東華泰紙業股份有限公司 (Shandong Huatai Paper Co., Ltd.\*), both of which are listed on the Shanghai Stock Exchange of the PRC. Mr. Zhao is also an non-executive director of 山東晨鳴紙業集團股份有限公司 (Shandong Chenming Paper Holdings Co., Ltd.), a company listed on the Shenzhen Stock Exchange of the PRC, respectively. He completed tertiary education in 大連輕工業學院 (Dalian Light Industry Institute\*) in the PRC in June 1982, majoring in paper manufacturing. Mr. Zhao has accumulated twenty-five years of experience in the paper industry through his current and previous employment in different organisations as well as his tertiary education.

Mr. Wang Lu (王魯), aged 26, joined our Group as an independent non-executive Director in 3 September 2007. He graduated from Shandong University in July 2003 with a degree in computer science and technology and subsequently obtained a master's degree in information technology from Monash University in Australia in October 2005. He has been a lecturer of a university in the PRC. He currently works as engineer at

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Yantai University. Mr. Wang has accumulated four years of experience in computer engineering through his tertiary education and employment with different universities.

Mr. Kwong Kwan Tong (龔焜堂), aged 41, joined our Group as an independent non-executive Director in 3 September 2007. He is currently a fellow member of the Association of Chartered Certified Accountants, associate member of the Hong Kong Institute of Certified Public Accountants and the Chartered Institute of Management Accountants. Mr. Kwong has about twenty years of experience in management accounting and financial control through his previous employment with different companies in Hong Kong and the PRC. He is now the financial controller of Tianjin Binhai TEDA Logistics (Group) Corporation Limited, a state-owned enterprise in the PRC. Mr. Kwong obtained a diploma in accounting from Morrion Hill Technical Institute in Hong Kong in 1987.

### SENIOR MANAGEMENT

Mr. Sun Shu Guang (孫曙光), aged 53, joined our Group as a deputy general manager and the head of finance department of Shandong Qunxing in April 2003, and has been responsible for our Group's financial management work in the PRC. Previously, Mr. Sun had worked in the economy authorities of the PRC government. He has extensive experience in corporate management. He completed tertiary education in 山東省委黨校 (Shandong Province Communist Party School\*) in the PRC in December 1994, majoring in economic administration.

Mr. Liu Shu Li (劉樹理), aged 52, joined our Group as a deputy general manager in August 2003 and was in charge of our Group's administrative affairs. Previously, Mr. Liu performed military service at the General Administration of Civil Aviation of China and was given the title of senior engineer. He had also worked in the judicial authority of the government and is experienced in legal matters. He has years of legal work experience. Mr. Liu completed tertiary education in 全國法院幹部業餘法律大學 (National Judicial Official Amateur Legal University\*) in the PRC in August 1994, majoring in law.

Mr. Wu Zhen Jun (吳振軍), aged 42, joined our Group as a deputy head of the finance department of Shandong Qunxing in July 1999. He was appointed as the secretary to the board of directors of Shandong Qunxing in August 2006. Previously, Mr. Wu had worked for domestic commercial enterprises and the PRC government's policy investigation and research department. Mr. Wu also previously worked in 鄒平縣經濟技術開發區籌建處 (Office for development of Zouping economic and technology development zone\*) as deputy manager being responsible for marketing. Mr. Wu completed tertiary education in 國家法官學院 (National Judiciary Institute\*) in the PRC in July 2002, majoring in law.

Mr. Cheng Gang (成剛), aged 48, joined our Group as the head of the strategic planning department of Shandong Qunxing in August 1999. In May 2007, he was appointed as the deputy general manager of Shandong Qunxing. He has been in charge of our Group's strategic planning and major projects, environmental protection and cultural promotion affairs. Previously, Mr. Cheng had worked for state-owned enterprise(s) and government departments. He graduated from Shandong Education University (山東師範大學), majoring in Chinese Language, in December 1986.

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Mr. Au-Yeung Kwong Wah (歐陽廣華), aged 43, joined our Group in January 2007 as our financial controller, company secretary and qualified accountant. Mr. Au-Yeung is responsible for overseeing our Group's financial company secretarial matters. He has over ten years of experience in auditing and financial control through his prior employment with accounting firms and listed companies in Hong Kong. Mr. Au-Yeung has obtained a bachelor's degree in commerce from the Bond University in Australia in 1996, a master's degree in accountancy from the Chinese University of Hong Kong in 2000, and a post-graduate diploma in corporate administration from the Hong Kong Polytechnic University in 2005. Mr. Au-Yeung is a member of CPA Australia and the Hong Kong Institute of Certified Public Accountants. Prior to joining our Group in January 2007, Mr. Au-Yeung was a director of C&O Pharmaceutical Technology Holdings Limited, the shares of which are listed on the main board of the Singapore Stock Exchange.

### **AUDIT COMMITTEE**

We established an audit committee on 8 September 2007 in compliance with Rules 3.21 and 3.23 of the Listing Rules. The audit committee consists of three independent non-executive Directors, namely Mr. Kwong Kwan Tong, Mr. Zhao Wei and Mr. Wang Lu. Mr. Kwong Kwan Tong is the chairman of the audit committee. The primary duties of the audit committee are to review and supervise the financial reporting process and the internal control procedures of our Group.

### **REMUNERATION COMMITTEE**

We established a remuneration committee on 8 September 2007 in compliance with Appendix 14 to the Listing Rules. The remuneration committee consists of four members, namely Mr. Zhu Yu Guo, Mr. Zhao Wei, Mr. Wang Lu and Mr. Kwong Kwan Tong. Mr. Zhu Yu Guo is the chairman of the remuneration committee. The primary functions of the remuneration committee are to make recommendations to our Board on the remuneration of our Directors and senior management and determine on behalf of our Board specific remuneration packages and conditions of employment for our Directors and senior management.

### **NOMINATION COMMITTEE**

We established a nomination committee pursuant to a resolution of our Directors passed on 8 September 2007. The nomination committee consists of four members, namely Mr. Zhu Mo Qun, Mr. Zhao Wei, Mr. Wang Lu and Mr. Kwong Kwan Tong. Mr. Zhu Mo Qun is the chairman of the nomination committee. The primary function of the nomination committee is to make recommendations to our Board regarding candidates to fill vacancies on our Board and senior management.

### **DIRECTORS' COMPENSATION**

The aggregate amount of fees, salaries, housing allowances, other allowances and benefits-in-kind (including our contribution to the pension scheme for our Directors) or any bonuses paid by us to our Directors for each of the three years ended 31 December 2006 was approximately RMB0.2 million, RMB0.2 million and RMB0.2 million, respectively.

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Save as disclosed above, no other payments had been paid or are payable, in respect of the three years ended 31 December 2006, by our Company or any of our subsidiaries to our Directors.

### STAFF

As at the Latest Practicable Date, we had 959 full-time staff in the PRC and 2 full-time staff in Hong Kong. The following sets forth the total number of our staff by functions:

	<b>Total number</b>
Management	28
General and administration	50
Production and logistics	808
Sales and marketing	28
Finance and accounting	11
Quality control	25
Research and development	11
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Total	<u>961</u>

### Relationships with our employees

We have not experienced any significant problems with our employees or disruptions to our operations due to labour disputes, nor have we experienced any difficulties in the recruitment and retention of experienced employees during the Track Record Period. We believe we have a good working relationship with our employees.

### Compensation

Compensation of our employees includes salaries, contributions to housing fund and contributions to pension scheme. For each of the three years ended 31 December 2006 and the four months ended 30 April 2007, our Group incurred staff costs (including Directors' remuneration) of approximately RMB11.0 million, RMB13.4 million, RMB20.8 million and RMB8.5 million, respectively, representing approximately 2.4%, 1.9%, 2.2% and 2.5%, respectively of our Group's turnover for the respective periods.

### Benefit schemes

We comply in all material aspects with all statutory requirements on retirement contribution in the jurisdictions where we operate. We have contributed retirement benefits for our staff in the PRC in accordance with the applicable PRC rules and regulations. We have enrolled on a mandatory provident fund scheme for our employees in Hong Kong in accordance with the applicable Hong Kong laws and regulations.

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We also make contributions to the following staff related plans and funds in accordance with the local regulations of the PRC, namely, pension plans, unemployment insurance, basic medical insurance, and work-related injury insurance. Based on the confirmations issued by the provincial and local government authorities where our operation are located, our Directors confirm that during the Track Record Period, our Group duly paid all social insurance contributions and that our Group was in compliance with the applicable laws and regulations.

### Share Option Scheme

We have conditionally adopted the Share Option Scheme whereby such selected classes of participants (as more particularly described in Appendix VI to this prospectus) may be granted options to subscribe for Shares at the discretion of the Board. The principal terms of the Share Option Scheme are summarised under the paragraph headed “Share Option Scheme” in Appendix VI to this prospectus.

### COMPLIANCE ADVISOR

We will appoint, before the Listing Date, ICEA as our 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 us on the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction under Chapters 14 or 14A of the Listing Rules, is contemplated including shares issues and shares repurchases;
- where we propose to use the proceeds of the Share Offer in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate, or other information of this prospectus; and
- where the Stock Exchange makes an inquiry of us under Rule 13.10 of the Listing Rules.

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