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## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

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### DIRECTORS

#### *Executive Directors*

Professor Xiao Liangyong (肖良勇教授), aged 67, graduated from Zhangjiakou PLA Communication Engineering College (張家口解放軍通訊工程學院) (now known as Xidian University) in 1957 with a degree in radio engineering. He took positions as the tutor, lecturer, associate professor, professor and dean of the sixth department (currently the electronic engineering college) and antenna development centre of Xidian University from January 1957 to January 1998. Besides, Professor Xiao was an executive director and the general manager of Xi'an Haitian Communications from January 2000 to October 2000 and has been the chairman of the Company since October 2000.

Mr. Xiao Bing (肖兵先生), aged 37, is the son of Professor Xiao. Mr. Xiao studied in the college of Continuous Education in Xidian University. He worked in Xi'an General Factory of Oil Instruments (西安石油勘探儀器總廠) from 1988 to 1991 and was the deputy general manager of Xi'an Haitian Communications from 1999 to 2000. He was elected as a Director and first assumed the post of the president of the Company in October 2000.

Mr. Guo Weisheng (郭渭盛先生), aged 71, graduated from Northwest Institute of Communications Engineering (now known as Xidian University) in 1963 and is a professor. He worked as lecturer, associate professor, professor, deputy dean and dean of the electromagnetic engineering department of Xidian University from 1960 to 1992. He was the deputy general manager of Xi'an Haitian Communications from 1999 to 2000 and was elected as a Director and first assumed the post of the vice president of the Company in October 2000.

#### *Non-executive Directors*

Mr. Luo Maosheng (羅茂生先生), aged 41, graduated from Shaanxi Radio and Television University (陝西省廣播電視大學) and is a senior accountant. In 1995, Mr. Luo joined Xi'an Jiefang Group and served as financial controller. Currently, he is an executive director, the financial controller and deputy senior manager of Xi'an Jiefang Group and was elected as a Director in October 2000.

Mr. Mi Yunping (米云平先生), aged 46, is a senior economist with a doctorate degree in science. He is the deputy general manager of BJ Holdings since March 2000 and was elected as a Director in October 2000.

Mr. Wang Quanfu (王全福先生), aged 40, graduated from Party School of the Shaanxi Provincial Committee of the Chinese Communist Party of PRC (中共陝西省委黨校) in 1997. He started working in Xi'an Jiefang Group since 1988 and is an assistant to the general manager of Xi'an Jiefang Group from May 2001 to date and was elected as a Director in October 2000.

Mr. Liu Yongqiang (劉永強先生), aged 64, graduated from Northwest Journalism Institute (西北新聞刊投學院) in 1987 and he became the deputy secretary-general of Xi'an Municipal People's Government in 1989. Mr. Liu became the chairman of the board of XITIC in 1999 and was elected as a Director in October 2000.

Mr. Li Wenqi (李文琦先生), aged 37, graduated from Shaanxi College of Finance and Economics in (陝西財經學院) (now known as Xi'an Jiaotong University (西安交通大學)) and is an accountant. He worked as the deputy chief and manager of Planning and Finance Department from October 1987 to April 1994 and from April 1994 to October 1997 and the assistant to general manager and manager of Planning and Finance Department from October 1997 to May 2001. He is the chief accountant and manager of Planning and Finance Department of Shaanxi Silk from May 2001 and was elected as a Director in October 2000.

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### *Independent non-executive Directors*

Mr. Zhou Tianyou (周天游先生), aged 41, graduated from the Electronics and Computer Science Department of Shanghai Jiao Tong University (上海交通大學) with a bachelor degree in Automatic Control Engineering in 1983 and is an engineer. Mr. Zhou was awarded a Certificate of Siemens Training Centre for Communication Techniques in Germany and is a certified instructor for operation. During his service in the international cellular infrastructure division of Motorola Group, he was awarded a certificate of appreciation for his contribution to the success of Motorola cellular infrastructure business in the PRC in 1994. In October 1998 he was awarded a certificate of completion in respect of the Iridium Communications System by the ground systems division of Motorola Satellite Communications Group. He worked as the marketing manager in Beijing Digipro Information Technology Co. Ltd. (北京長信嘉信息技術有限公司) for the period between 1 December 1999 and 1 December 2001. In October 2000, he was elected as an independent non-executive Director.

Mr. Gong Shuxi (龔書喜先生), aged 46, graduated from Northwest Institute of Communications Engineering (now known as Xidian University) with bachelor and master degrees and doctorate degree in Electromagnetic and Microwave Technology in Xi'an Jiaotong University (西安交通大學) and is a professor. Mr. Gong became the professor in Antenna Research Institute of Xidian University in 1997. In October 2000, he was elected as an independent non-executive Director.

Mr. Deng Yuanming (鄧元明先生), aged 64, graduated in 1960 with a bachelor's degree in Northwest University (西北大學). He was a professor in industrial economics of Xi'an Jiaotong University and retired in 2003. In 1996 and 1998, Mr. Deng was a member of the standing committee of the People's Congress of Shaanxi Province. In October 2000, he was elected as an independent non-executive Director. Mr. Deng has ceased to be the independent director of Xi'an Jiefang Group with effect from 12 May 2003.

### **SUPERVISORS**

Mr. Hu Hui (胡暉先生), aged 36, graduated from the Changsha Railway University (長沙鐵道學院) (now known as Central South University (中南大學)) majoring in mechanical engineering in 1989 and is an engineer. Mr. Hu was employed by the Zhuzhou Gear Co., Ltd. (株州齒輪股份有限公司) from 1989 to December 2001. He joined the Company in May 2002 as the assistant supervisor of the corporate planning department and he was elected as a Supervisor in July 2002.

Ms. Sun Guilian (孫桂蓮小姐), aged 39, graduated from the Zhongnan University of Economics and Law (中南財經政法大學) majoring in BBA in 2002. She was employed by the No. 704 factory of the State and worked in the enterprise statistics department from 1984 to 2000. Ms. Sun joined the Company in September 2000 and was elected as a Supervisor in July 2002.

Mr. Liu Jiyang (劉激揚先生), aged 35, graduated from Xi'an Jiaotong University (西安交通大學) with a bachelor's degree in management engineering in 1989. Mr. Liu also holds a master degree in Economic Laws from Xi'an Jiaotong University in 1993. Mr. Liu was employed by Xi'an Datang Telephone Company Limited (西安大唐電信有限公司) as the enterprise legal adviser and deputy general manager of (西安山脈科技發展有限公司) from April 2001 to February 2002. From March 2002 till now, he has been working as the general manager of (西安啓聖科技有限責任公司) and was elected as the Supervisor in October 2002.

Ms. Shi Ping (師萍小姐), aged 54, holds a doctorate degree. Ms. Shi has started working as a professor, tutor of doctorate students, deputy manager of the Institute of Economics and Management in Northwest University since December 1985. Currently, she is an independent non-executive director of Xi'an Jiefang Group. She was elected as a Supervisor in October 2002.

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Mr. Gu Linqiang (谷林強先生), aged 36, graduated from the Shandong University (山東大學) in 1989 with a bachelor's degree in management science. In 1994, Mr. Gu worked in the credit department of XITIC. In 1997, he was posted to the investment banking division and assumed the posts of deputy manager and manager. Mr. Gu was elected as a Supervisor in October 2002.

### SENIOR MANAGEMENT

Mr. Li Kun (李琨先生), aged 68, graduated from the physics department of East China Normal University (華東師範大學) in 1960 and taught at Xidian University as lecturer, associate professor and professor from 1960 to 1993. Mr. Li co-founded the Company with Professor Xiao and Mr. Xiao Bing after his retirement. He was appointed as the vice president of the Company in October 2000. Mr. Li is responsible for human resource management and administration of the Company.

Mr. Liu Peng (劉鵬先生), aged 35, graduated from the Changsha Railway University (長沙鐵道學院) (now known as Central South University (中南大學)) in 1989, and has finished the MBA courses in Northern Jiaotong University (北方交通大學) in 2000 and is an engineer. He worked at the equipment factory of China Nonferrous Metal 23 Metallurgy Corporation Second Branch (中國有色二十三冶二公司工業設備廠) from July 1989 to March 1997. From April 1997 to February 2001 he worked as the assistant to president of Hunan Gold Zhengfang Enterprise Group (湖南金正方企業集團) as well as the general manager of Huali Garment Wholesale Market (華麗服裝批發大市場). He joined the Company in April 2001 and was appointed as a vice president of the Company in May 2002. Mr. Liu is responsible for production planning and purchasing of the Company.

Mr. Liang Zhijun (梁志軍先生), aged 39, graduated from Shaanxi Mechanical Engineering Institute (陝西機械學院) (now known as Xi'an University of Technology (西安理工大學)) in 1985 and taught in Xidian University from 1985 to 1993. Mr. Liang worked in China Electronics Import & Export Corporation, Hainan Branch (中國電子進出口總公司海南公司) from 1988 to 1989 and Xi'an Datang Telephone Company Limited (西安大唐電信有限公司) from 1993 to 2000. He joined the Company in July 2000. Currently, he is the secretary of the Board since October 2000 and was appointed as vice president of the Company in April 2003. Mr. Liang is responsible for the secretarial work of the Board.

Ms. Mao Yuehua (茅躍華), aged 44, graduated from the Northwest University (西北大學) majoring in Economic Management in 1989. Ms. Mao worked in Guangzhou Post and Telecom Equipment Co., Ltd. (廣州郵電通信設備有限公司) from 1997 to 2002, during which she was appointed as a representative officer in Beijing from 2001 to 2002. She joined the Company in July 2001 and she was appointed as a vice president of the Company in April 2003. Ms. Mao is responsible for the marketing and public relations of the Company.

Mr. Fang Xi (方曦先生), aged 33, graduated from the agricultural finance department of Zhongnan University of Finance and Economics (中南財經大學) in 1993 and worked as head of finance department and deputy chief accountant of State-owned Yellow River Machine Manufactory (國營黃河機器制造廠) from 1993 to 2001. Currently, he is responsible for the finance function of the Company.

### QUALIFIED ACCOUNTANT AND COMPANY SECRETARY

Mr. Tsang Yu Tit (曾如鐵先生), aged 34, is a qualified accountant with over nine years of experience in accounting, auditing and financial management. He is also the company secretary of the Company. Mr. Tsang graduated with a bachelor's degree in accountancy from the Hong Kong Polytechnic University. He is an associate member of the Hong Kong Society of Accountants and a fellow member of the Association of Chartered Certified Accountants. Mr. Tsang joined the Company in November 2002. Before joining the Company he worked for an international certified public accountants firm, Deloitte Touche Tohmatsu for three years and then joined a private company which engaged in manufacturing and trading.

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## COMPLIANCE OFFICER

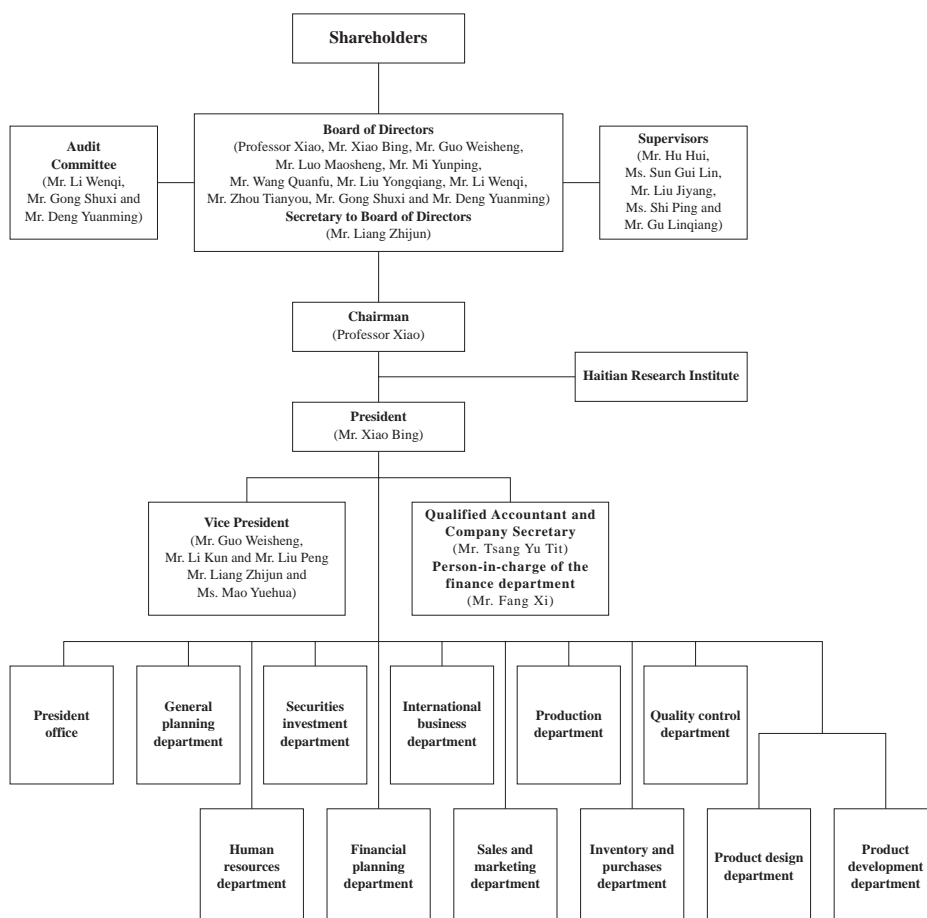
Professor Xiao, who is also an executive Director.

## AUDIT COMMITTEE

The Company established an audit committee on 4 April 2003 with terms of reference in compliance with Rules 5.23 and 5.24 of the GEM Listing Rules. The primary duties of the audit committee are to review the financial reporting process and internal control system of the Company. The following sets out the members of the Company's audit committee:

Name	Position in the Audit Committee	Position in the Board of Directors
鄧元明 (Deng Yuanming)	Chairman	Independent non-executive Director
龔書喜 (Gong Shuxi)	Member	Independent non-executive Director
李文琦 (Li Wenqi)	Member	Non-executive Director

The internal structure of the Company is as follows:



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## EMPLOYEES

### Overview

As at the Latest Practicable Date, the Company had 535 employees who were all stationed in the PRC. The number of staffs in different departments of the Company as at 31 December 2001, 31 December 2002 and the Latest Practicable Date is as follows:

	As at 31 December 2001	As at 31 December 2002	As at the Latest Practicable Date
Management	10	14	11
Sales and marketing	54	73	83
Research and development	90	132	149
Finance and administration	66	45	36
Production	281	216	222
Technical services and support	8	19	34
Total	<u>509</u>	<u>499</u>	<u>535</u>

### Company's relationship with employees

The Company has not experienced any significant labour disputes or strikes which have led to the disruption of its normal business operations. The Directors consider that the Company's relationship with its employees to be satisfactory. The Company provides staff quarters or alternatively, housing subsidies, to some of its employees in accordance with the current PRC laws. In addition, the Company provides interest-free loan to its senior management for purchasing automobiles. As at 31 May 2003, such outstanding loan amounted to approximately RMB0.3 million. According to the Directors, such interest-free loan is non-recurring in nature and will cease after listing.

### Retirement benefit plans

The employees of the Company participate in various retirement benefit plans organised by municipal and provincial governments in the PRC, whereby the Company is required to make monthly contributions to these plans at a rate of 20% of the employees' basic monthly salaries of eligible employees. The Company has no obligation for the payment of retirement and other post-retirement benefits of employees other than the monthly contribution described above. Expenses incurred by the Company in connection with the retirement benefit plans for each of the two years ended 31 December 2002 and the five months ended 31 May 2003 were approximately RMB44,018, RMB184,795 and RMB136,026 respectively.

### Insurance

As at the Latest Practicable Date, the Company had 535 employees, among which the Company has maintained elderly insurance for 78 persons, redundant insurance for 358 persons, and medical insurance for 78 persons. The Company has maintained elderly insurance and medical insurance for the Company's employees. No redundant insurance has been maintained for 171 persons since redundant insurance has been maintained for such 171 persons (among whom 46 are retired, 36 are staff who have redeemed their retirement benefit including redundant insurance and 89 are staff who have suspended their previous employment) by their original employers. According to Social Labor Insurance Department of Shaanxi Province, and the Special Payment Letter for Social Insurance Premiums of Shaanxi Province issued by Shaanxi Provincial Local Tax Bureau, Gaoxin Branch, the Company has maintained the basic elderly insurance, medical insurance and redundant insurance in accordance with the PRC laws. The premium is calculated as follows: premium = monthly income of the employee x (7%+2.5%+20%). No premium is due and outstanding which may affect the validity of the relevant insurance.

**Housing fund**

On 3 April 1999, the State Council promulgated the “住房公積金管理條例”(Regulation on Management of Housing Fund) pursuant to which the housing fund system is implemented countrywide. On 9 May 2000, Shaanxi Provincial People’s Government published the “關於印發貫徹國務院“住房公積金管理條例”實施意見的通知”(Notice regarding the Publication of Implementation Opinion of Regulation on Management of Housing Fund) pursuant to which the housing fund system is implemented in Shaanxi province, where the Company is located. Prior to September 2003, the Company is not aware of the requirement to set up a housing fund and that since the date of establishment of the Company, the relevant authority has not requested the Company to set up such a fund. In September 2003, the Company became aware of such a requirement, the Company started to undertake the relevant procedures which were completed on 10 October 2003. The Xi’an Housing Fund Management Centre verbally advised the Company that they will not impose any penalty or punishment on the Company for its delay in registering payment and deposit for a housing fund or opening a housing fund account for its employees. They further informed the Company that they have no record of demanding any enterprise or company to make retrospective contribution to housing fund prior to the same being established. According to Jingtian & Goncheng:-

- (a) as the Xi’an Housing Fund Management Centre has on 10 October 2003 endorsed on the “Application form for opening a Housing Fund Account in Xi’an City” submitted by the Company, the Company has established its housing fund and completed the relating procedures in accordance with the requirements of the relevant laws on housing fund management;
- (b) the Company shall commence payment of the housing fund for its employees (excluding those aged 55 or above) under permanent employment or retained by contract from October 2003 according to the requirements of Shaanxi province. The Company is also required to make retrospective contribution to housing fund for its employees calculated from the promulgation of the relevant laws on housing fund;
- (c) according to PRC laws, an employee shall only have one housing fund account. As such, for those employees who already have housing fund accounts under the names of their previous employers shall arrange for the same to be transferred under the name of the Company;
- (d) according to Section 37 of the “住房公積金管理條例”(Regulation on Management of Housing Fund), any entity who fails to register payment and deposit for a housing fund or open a housing fund account for its employees, the relevant Housing Fund Management Centre may serve a demand on the entity requiring it to comply with the same within a prescribed period of time. If the entity fails to comply with the demand, a penalty ranging from RMB10,000 to RMB50,000 would be imposed;
- (e) according to the “關於印發貫徹國務院“住房公積金管理條例”實施意見的通知”(Notice regarding the Publication of Implementation Opinion of Regulation on Management of Housing Fund) published by Shaanxi Provincial People’s Government, the Xi’an Housing Fund Management Centre is empowered to exempt any penalty or punishment on an entity who fails to register payment and deposit for a housing fund or open a housing fund account for its employees;



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- (f) as the Company is unable to obtain a written confirmation on the aforesaid verbal advice of the Xi'an Housing Fund Management Centre, there remains a chance that the Company would be required to pay penalty for its late registration of payment and deposit for a housing fund or late opening of a housing fund account for its employees and/or be required to make retrospective contribution to housing fund prior to the same being established; and
- (g) as the Company already set up its housing fund system on 10 October 2003, subject to paragraph (f) above, it will not be subject to any administrative punishment or other adverse legal or administrative consequences.

As the Company has established its housing fund system in October 2003, it means that the Company will have to pay the housing fund of approximately RMB8,000 per month for all of its eligible employees according to the requirements of Shaanxi Province from October 2003. In the event that the relevant government authority requires the Company to make retrospective contribution to housing fund for the period from May 2000 to September 2003, the Directors estimate that the amount of retrospective contribution may not be more than RMB400,000 based on the number of staff entitled to such benefit and their respective salaries. In addition, in accordance with the relevant rules and regulations, a penalty ranging from RMB10,000 to RMB50,000 may be payable by the Company should such penalty be imposed. The Directors expect that the impact on the Company will be insignificant in the event that the Company being required to make retrospective contribution to the housing fund since the promulgation of the relevant laws on housing fund in Shaanxi Province (i.e. 9 May 2000) and/or the penalty. By a deed of indemnity dated 17 October 2003, Professor Xiao has undertaken to indemnify the Company to the extent of RMB450,000 in respect of the losses and damages which the Company may suffer in connection with the non-compliance with the housing fund regulations.